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THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS OF THE
BRITISH COMMONWEALTH

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The Union and the Imperial Conference

TABLE* that the Sovereign should, in these matters, exercise "a wide measure of independent judgment," and that in any case the Governor-General "must at least be an individual well-known to, and personally approved by, the King himself." But, of those other issues which Dr. Malan raised, the Conference has said not a word—and indeed it is perhaps not without significance that it laid special emphasis in its draft preamble to the proposed "Statute of Westminster" on the fact that the member States of the Commonwealth "are united by a common allegiance to the Crown."

General Hertzog has therefore not returned from London with any resounding constitutional declaration comparable in significance with that of 1926. With the results of the Conference on the constitutional side he has, however, declared his complete satisfaction. In particular he has referred with gratification to the adoption of the report of the 1929 Conference and the proposed implementation of it in the "Statute of Westminster." For the rest, he has emphasised—as indeed he did in 1926—that South Africa now possesses her sovereign independence to use or to abuse. But as for the "right of secession" he is content to regard that as implicit in the 1926 definition of Dominion status. And when asked by an interviewer about the resolution of the Union Parliament which affirmed that right, he made this statement of what happened at the Conference :

I pointed out the special circumstances in South Africa, and explained that Parliament had approved of the report of the subsidiary committee of the Conference, subject to the resolution. I fully explained the feelings of the people of South Africa and all the circumstances surrounding the right of secession, and I asked that it should be duly noted. There was not the least difficulty about it. The point I urged was registered without the least hesitation.

The resolution was "duly noted"—that, it would seem,

* THE ROUND TABLE, No. 81, December 1930, pp. 101-102.



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was all. In the summary of the proceedings no reference is made to it.

At this, if one may judge by the indications presently available, South Africa is well content to let the matter rest. There are many South Africans who, on the legal or theoretical issue, do not accept the Prime Minister's view, that a right of secession is implicit in the 1926 pronouncement. They rather share the view stated by the writer of the article already referred to,* that in this aspect of the matter "the claim to secede is clearly inconsistent with the acceptance of a common allegiance, since allegiance cannot be dissolved by the unilateral act of the subject. It is equally inconsistent with the principle of equality of status, for the rights of the Dominions in this matter cannot be higher than those of Great Britain, and it is not claimed that in this country (*i.e.*, Great Britain) the Ministers or the members of the legislature can throw off their allegiance at will." But South Africans in general are more than weary of academic discussions of inter-Imperial relations, and where on all sides there seems to be agreement that on the practical issue a desire on the part of South Africa to leave the Commonwealth would not be questioned, they are loath to allow what they regard as mere logomachies once again to make for the dividing asunder of the people.

So it is that even those who were unable to endorse the Prime Minister's views which he set forth when the affirmation of the Union's "right of secession" was under discussion in Parliament, are well content with the outcome of this matter at the Conference, and indeed they have not been averse from expressing approval of his general attitude in London. They have rejoiced in the emphasis laid by him on the importance and value of Commonwealth co-operation, and they have watched with sympathy his efforts for the strengthening of that co-operation along the lines of reciprocal trade agreements,

* THE ROUND TABLE, No. 81, December 1930, p. 104.

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at once sharing his disappointment at the relative failure of those efforts, and applauding the unexceptionable manner in which he has recognised the difficulties of the British Government.

If, then, the Imperial Conference has yielded little of a tangible nature for South Africa, it none the less connotes a great personal success for General Hertzog in the eyes of his fellow South Africans. That in its turn is of considerable significance in South African politics. For, on the crest of the wave of national approbation, General Hertzog, immediately after his return, made a powerful appeal for national unity as between English-speaking and Afrikaans-speaking South Africans, the while he bitterly castigated the Republicans in his own ranks. That appeal had a most excellent reception, and seemed likely to secure for General Hertzog personal and political support from many of his English-speaking opponents of the past. He has, however, since weakened its effect by a bitter attack on General Smuts and a repudiation of any other approach to the ideal of national unity save that of the, hitherto almost entirely Dutch, Nationalist party. But, even so, there still remains ground for hope that a kindlier, friendlier feeling will prevail in South Africa than has been in evidence in the past, and if that is to be one of the results of the presence of the Prime Minister at the Imperial Conference, it will indeed represent great gain.

II. THE ECONOMICS OF THE IMPERIAL CONFERENCE

SOUTH AFRICAN comment on the economic side of the Imperial Conference has for the most part followed the usual party lines. The Opposition press welcomed with enthusiasm the proposals for closer economic relations between the various members of the Empire, less by reason of any economic benefit likely to be obtained by South Africa than because of a desire to see the place of the relaxed political ties taken by economic ties. Their dis-

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appointment at the failure of this side of the Conference was proportionate to their enthusiasm. This point of view is clearly expressed in the following quotation from a speech delivered by General Smuts on December 10 :—

The severing of the old bonds should not leave a dangerous void. The old bonds should be replaced by a new spirit of co-operation and helpfulness in our mutual relations. I am sure that the spirit is there, but it is a thousand pities that it has found no expression at the Imperial Conference, and that a sense of soreness has been left instead.

The nearest approach to economic argument used generally by this section of opinion was that Great Britain was by far the most important market for this country's exports, and that any steps likely to lessen Great Britain's goodwill would react unfortunately on South Africa's export trade.

The Government organs naturally took a diametrically opposite view of the question. Their general opinion is that, while participation in the Empire is still a necessity for South Africa, it is on the whole a regrettable necessity, and they are reluctant to see any tightening of bonds connecting South Africa with Great Britain or any increase in South Africa's economic dependence on her. It is doubtful if they would altogether welcome even a unilateral concession by Great Britain which would have this result. The proposal that South Africa should make reciprocal concessions to that end is to them highly objectionable.

It was inevitable therefore that this section of the press should regard the Conference without enthusiasm, and from the beginning should cheerfully prophesy its failure. Its main economic arguments were, firstly, that the value of the British market is much exaggerated by the fact that the trade figures show only immediate destinations of exports, and that a large proportion of the goods recorded as shipped to Great Britain are subsequently re-exported ; that therefore the continental markets are much more

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important to us than they appear to be, and that to antagonise them by increasing our preference to Great Britain would be highly unwise ; secondly, that it would be impossible to increase our preference to Great Britain without injuring South African producers ; and, thirdly, that the greater part of South Africa's exports to her consist of commodities on which she would be most unlikely to impose duties for the purpose of granting a preference.

Of these arguments, the first and third seem to be better founded than the second. In spite of the impressive total value of South African "industrial products" recorded by the industrial census, South Africa is not in fact a highly industrialised country, and many types of imported commodities are neither manufactured locally nor likely to be for many years. Consequently it would be quite possible for this country to give considerably increased preference to Great Britain, at the expense of the revenue, without injuring the sacred cause of "local production."

The third argument is undoubtedly the strongest, and accounts for the small amount of economic argument adduced by the Opposition. Of our total exports overseas in 1929, amounting to about £90 millions, gold accounted for rather over £46 millions, or over 50 per cent., and diamonds for over £12 millions, or 13 per cent. Neither of these commodities are suitable vehicles for preference. Then we have wool and mohair, rather over £15 millions ; hides and skins, over £3 millions ; and other agricultural and pastoral raw materials (wattle bark, raw cotton, etc.), amounting to rather over £1 million, making in all about £20 millions. To this must be added the greater part of our exports of maize and maize meal (which are in fact raw material for stock farmers), £3½ millions ; exports of coal (to eastern coaling ports), £1 million ; exports of metals and minerals (chiefly copper, tin, platinum and asbestos), £1½ millions ; and whale oil, £350,000, making in all about

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£26½ millions. Together these make up nearly 30 per cent. of the total, and consist almost entirely of raw materials for industry. Whatever illusions it might have been possible to entertain with regard to Great Britain's willingness to tax manufactured articles or even foodstuffs, few, if any, could expect that any British Government, of whatever political complexion, would be willing to tax, for the benefit of the Dominions, the raw materials on which the industries of the country depend.

From the remaining £5½ millions, or 6 per cent., there must still be deducted rather over £1 million of re-exports, mainly to the Belgian Congo and Portuguese East Africa (which are included under the heading of "overseas,") and about £½ million of other exports to these same territories. This leaves about £4 millions, or 4½ per cent., for exports of food, drink, tobacco and manufactures to destinations outside South and Central Africa.

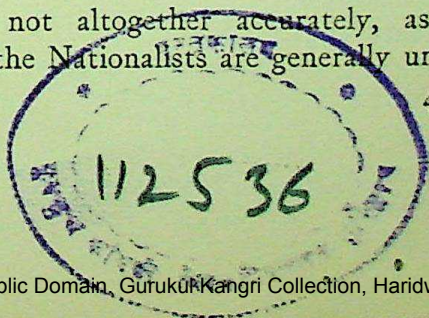
Of these, sugar (£1.2 millions in 1929), dried and preserved fruit (£220,000), wine (£80,000) and tobacco (£75,000) are already receiving preferences, and the only items of any importance left are fresh fruit (about £1 million), eggs (£270,000), butter (£150,000—an unusually large figure in 1929 in consequence of an abnormally good season), preserved crayfish (£220,000—almost entirely to France), and frozen beef (£290,000—almost entirely to Italy). It is doubtful whether the last-named commodity would be accepted on the British market under any conditions but those of famine, and the principal items on which it would be possible for Great Britain to impose preferential duties with advantage to South Africa therefore consist of fresh fruit (particularly oranges), eggs and butter. The total value of these commodities exported annually is rather over £1½ millions, or, say, 2 per cent. of our total exports.

While, however, South Africa can have little to hope for from an extension of British preferences, we have much to gain by a maintenance of those that exist at present.

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The export of sugar from Natal has increased very rapidly during the past few years, and during the present season is expected to show a further large increase from about 120,000 tons in 1929-30 to over 180,000 tons in 1930-31. If this estimate is correct, the British preference of about £3 15s. per ton will be worth about £700,000 to us during the present season. To this may be added perhaps £100,000 for the other preferences, making in all about £800,000. On the other hand, South African imports have fallen heavily during the past year, and it is therefore probable that, in spite of our avowed principle of reciprocal preference, the balance this year will be heavily in South Africa's favour, not improbably by a margin of as large as two to one. On economic grounds, therefore, it is not surprising that General Hertzog alone among Dominion premiers, was willing to promise to stabilise preferences for three years on condition that Britain did the same.

But in South African politics economic motives are seldom the ultimate ones, and it is usually wise to look further. In the present instance, we must look to Natal. The chief political question which has hitherto divided this country has been the difference between the two chief white races, the Dutch and the British, or more truly between the majority of the Dutch on the one side, and, on the other, a minority of Dutch co-operating with the British and accepting fully the implications of membership in the British Empire. Recently, however, in spite of constant friction over such matters as appointments and promotions in the civil service, language rights, education, etc., the gap between the two has shown signs of closing, and a new question is coming to the fore which seems likely to divide the country on new lines. This question is that of the future relationship between the minority of whites and the majority of natives, who outnumber the whites by approximately three to one. On this issue, which is known popularly, though not altogether accurately, as "the Native Question," the Nationalists are generally united in



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favour of what they call "a firm hand," and their opponents "repression"; but the South African party is divided. Natal, which is strongly imperialist when her own interests are not affected by the policy of Downing Street, and which is therefore represented in Parliament almost entirely by South African party members, is on this question in sympathy with the Nationalists, while the old Cape policy, described by its supporters as "Justice to the Native" and by its opponents as "Negrophilism," finds most of its remaining adherents among the South African party supporters in other provinces, though even these are by no means unanimously in its favour.

It is to this question that General Hertzog has given the bulk of his attention during the past few years. One of the cardinal points of his policy is to sweep away the old egalitarian native franchise in the Cape Province and to substitute for it a shadowy franchise for Cape natives and those in the other provinces on a communal roll. Hitherto he has failed to get the two-thirds majority of both Houses sitting together necessary for the amendment of the franchise clause in the South Africa Act. This matter is now before a special committee of both Houses, and will probably come before Parliament again this session. Doubtless, the Prime Minister's recent conciliatory attitude towards "imperialists," in keeping with the attitude of some of his colleagues during his absence overseas, is partly at least due to his desire to carry his native policy with the help of Natal votes. If this reading of the situation is even approximately correct, General Hertzog should have no reason to be dissatisfied with the outcome of an Imperial Conference which guarantees the maintenance of a British preference worth £700,000 annually to Natal. "Sugar! Who dares laugh at sugar now?"

South Africa.

January 1931.

NEW ZEALAND

I. THE ECONOMIC POSITION

*"Given sanity and sobriety, I think New Zealand will be all right."**

NEW ZEALAND banking is so closely associated with Australian that an economic crisis in Australia necessarily reacts upon New Zealand more immediately and more markedly than the actual trade between the two countries might otherwise warrant. The rate of exchange on London was naturally immediately affected, but uncertainty as to the extent to which New Zealand will feel the effects of Australian difficulties has raised public apprehension to a pitch hardly ever reached before. Falling world prices for our exports had, anyhow, made our difficulties sufficiently acute for the public to realise that, unless steps are taken to ensure the utmost economy, both in public and private expenditure, New Zealand's position will rapidly approach that of Australia. The Government, therefore, took advantage of the presence of Sir Otto Niemeyer in Australia to invite him to New Zealand; not, however, as was explained by Mr. Ransom, the acting Prime Minister, to advise on the economic position generally, but only on certain aspects of banking and exchange. None the less, Sir Otto before taking his departure, has expressed an opinion. It will be found in the quotation at the head of this article.

During the Waipawa by-election campaign, the acting Prime Minister, in answering what he described as the

* Sir Otto Niemeyer at Auckland, November 17, 1930. (Press Association.)

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pessimistic utterances of the leader of the Opposition, quoted another statement of Sir Otto's :—

New Zealand (Sir Otto had written to him), thanks very largely to the sound financial methods of the past, enjoys a high reputation in the overseas lending market, but in its own interests it seems to me that it should not be led away by that reputation into overseas borrowing which will not really be productive, in the sense of producing within a reasonable period an increase in export values equivalent at least to the actual service of such borrowing.

Sober statements of this character are quite different to the loose predictions one so often hears that better times are coming, or eulogiums of the wonderful recuperative powers—unspecified—of the country.

Utterances of the latter kind have completely failed to reassure the public. They have only given rise to a subsidiary controversy about the advantages or disadvantages of taking what is dubbed, according to the temper of the writer or the speaker, an unduly optimistic or an unduly pessimistic outlook. But, while it cannot, on the whole, be said that our public has taken an unwarrantably depressed view of the situation, the continued drop in the prices of exports has certainly brought home to it in an increasing degree the gravity of the situation, and some direction as to the remedies that should be taken is eagerly awaited. The state of the public mind, indeed, can be summed up as one of anxious expectancy and disquiet at the policy of drift with which the Government seems to be content. And the Government has only itself to blame if this lack of confidence is general. That it is so is clearly shown by the dissatisfaction, expressed both in the press and elsewhere, with a political system which during such a critical period in our fortunes imposes upon New Zealand the inaction which inevitably goes with a minority Government. There has in consequence been a cry in some quarters for a fusion of the United and the Reform parties, though in the last few days this cry has been superseded by a demand for a national Government which would also

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include Labour. Further, there has been a good deal of criticism of the so-called evils of the party system itself. A large section of the public takes it for granted that it is a principle of that system to put party before country, and that, if we could only get out of its clutches, men of independent views would be elected to Parliament, and having no party to serve would be free to devote themselves exclusively to the good of the country. At a time when Australia is so often pointed to as a striking example of the failure of democracy, it is natural that the people of New Zealand should turn their attention to their own political system. To the student of political history no doubt such criticism is what one would expect in times of crisis like the present. It is certainly found in Australia, where just the same demand for the fusion of parties, or alternatively for a national Government, is being put forward. In Australia Labour is in office, and its position forces it, if it wishes to retain power, to consider how such demands are going to affect its own future. In New Zealand, where Labour has fewer representatives in Parliament than either of the other parties, it takes as a party no part in the discussion on fusion, and is seemingly perfectly content with the control which it exercises over the present minority Government, which is dependent upon its support. If this non-committal attitude means that it will not consider any scheme for a national Government, then the only form such a proposal can take is an amalgamation of the other two parties, and, whatever name they might give to it, the term "national" would clearly be inapplicable. Only the future can show whether these proposals will come to anything. Certainly an alliance between parties in Australia on the basis of a common antagonism to Labour has not prevented Labour from being returned to power, and those who advocate fusion in New Zealand merely to keep Labour out, might meet with a like disappointment. Supporters of the party system claim that it is not the system that is at fault, but the organisation, and

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energetic steps have been taken, at least in so far as the Reform party is concerned, to improve its organisation. The United party claims to have done the same, but its efforts are less apparent. The Labour party, on the other hand, has for years had an excellent organisation, and there is no reason to believe that it is relaxing its efforts to improve and expand it. Mr. Coates, the leader of the Opposition, said what he thought about fusion during the Waipawa by-election. There were too many fundamental differences between the parties, he considered, to permit of it, and again, later, on November 25, after referring to his own previous offers of assistance, he made a statement to the press of Auckland in the following terms :—

The Reform party (he said) has never put party interests first. We are not prepared to compromise with anybody on matters of principle, and there are certain important points of policy which we regard as absolutely essential in the national interest. If the United party, or any other party, chooses to change its policy and adopt measures which we of the Reform party believe to be right, then those who advocate fusion may be able to justify their position. But it is futile to suggest that we of the Reform party should abandon our principles or cease to fight against a policy which we consider thoroughly unsound.

There are seven items of policy upon which we insist. They are: (1) that there must be a return to the late Reform Government's policy of tapering-off public borrowing; (2) that costs of production must be brought down to enable our producers to meet the new level of world prices; (3) that a policy of derating must be adopted to ease the burden of roading costs on the farmer; (4) that the railways must be removed from political control; (5) that the expenditure of borrowed money on railway construction must cease in all cases where it cannot be shown that the new line, when completed, will be economically sound; (6) that the rate of wages paid for single men for purely relief work must be lower than the standard rate; (7) that, although night parades should be eliminated, the system of national defence must still be based upon the principle of national service.

This declaration drew a reply from the acting Prime Minister. He intimated that, although he himself had definite views on some of the points raised, owing to the Prime Minister's absence in England, it was not fitting

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that he should attempt to define the attitude of the Government to fusion, though any proposals officially made to the Government by Mr. Coates would be considered.

So far as members of the two parties are concerned, most of their statements on the subject would seem to point to the impossibility of such a step; but at Dunedin,* Mr. Downie Stewart, Mr. Coates's first lieutenant, who was Minister of Finance in his Ministry, has come out in favour of a national Government. He quotes the precedent of the war, and he considers that the present economic crisis also calls for a Government composed of all three parties. He believes that a fusion merely of the United and Reform parties to oppose Labour would justly be resented, but he gives no indication what his own view is as to the possibility of such a Government. The Labour party has, however, made it clear that it considers the purpose of the suggested fusion of the United and Reform parties to be a war on wages, and, if that is what its members think, they are unlikely to accept a place in a Government in which they would be subordinate to the other two parties. So far the only public comment on Mr. Stewart's pronouncement has come from Mr. Young, late Minister of Health in the Coates-Government, who declared such an ideal, however desirable, to be at the moment impracticable. There is no doubt that the *Evening Post*, an Independent journal, reflected a substantial body of public opinion when on October 24 it expressed its own disappointment at the failure of the Reform and United parties to come together, and the decline in the prestige of Parliament. It is, however, anticipated that the whole question will come up again early next year on Mr. Forbes's return from the Imperial Conference. Certainly a statement will be expected from him, not only on the twin questions of fusion and a "national Government," but also on that of appointing a national economic conference to report on the general economic position. At the end of the session such a con-

* *Evening Star*, November 27.

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ference and an early session of Parliament were suggested by Mr. Coates, and his suggestion was well received by the Labour party, with the reservation that no such conference must be used to reduce wages. This proposal has not yet borne fruit, but there is a growing demand in commercial circles that steps should be taken to meet our increasing difficulties without waiting for Parliament to meet next June.

The chain of events which preceded the full disclosure of the financial difficulties of Australia has already been explained in these pages,* and reference made to the remarkable faith of Australians in the efficacy of political action and their belief that a period of depression necessarily means incompetent government. The same is probably equally true of New Zealanders, but a qualified belief in political action and a tendency to condemn Government for failure are perfectly justifiable under conditions which, in important respects, render private remedial action impossible owing to legislative or administrative barriers, when producers have to be content with exceptionally low prices and when at the same time taxation is increased to balance the budget, yet no reduction is made in State expenditure. The Government is moreover criticised on the ground that the unemployment rate of 14s. a day and the awarded rates of wages are being acquiesced in as immutable.

Before he left New Zealand Sir Otto Niemeyer remarked that "New Zealand has had some examples of the dangers ahead. The question is whether heed will be paid to them," and long before the end of the session the danger of a policy of drift was realised by the public. While the session lasted, however, the Government seemed unable to make up its mind on the very questions which appeared to call for an immediate declaration of policy, and the same drift has gone on ever since. On December 5 the *Sydney Bulletin* divided the citizens of the Commonwealth

* See THE ROUND TABLE, No. 78, March 1930, pp. 396-408.

The Close of the Session

into three classes : (1) Those who believe that in order to pay debts it is necessary to practise hard economy and reduce costs of production ; (2) those who are prepared to repudiate debts rather than reduce wages or increase hours ; (3) those who want to maintain wages, etc., and also to pay debts, but have no plans for doing it. Class (2) does not at present exist in New Zealand, but we have classes (1) and (3) among us. It may be unjust to include the Government in class (3), but, unless it makes a more definite pronouncement of its views than it has yet done, it runs a considerable risk of being placed in that class.

II. THE CLOSE OF THE SESSION

THE deaths of Sir Maui Pomare, a Minister in the late Reform Government and Member for the Western Maori seat, and of Sir George Hunter, who for many years had held the Waipawa seat for the Reform party, necessitated by-elections during the session. Both were held on the same day, October 8, and they resulted in the return of the Reform candidate, Mr. Taite Te Tomo, for the Western Maori seat, and of Mr. A. E. Jull, of the United party, for the Waipawa seat. No political significance attaches to the retention by the Reform party of Sir Maui Pomare's old seat, but the Waipawa seat had been held for years by Sir George Hunter, and its capture by Mr. Jull for the United party was acclaimed by the Government as a notable victory. At the last general election the voting was Reform 3,983, United 2,123, Labour 1,362, at the by-election Reform 3,312, United 3,620. "United" satisfaction with the victory is therefore natural. Sir George Hunter was a popular sheep farmer who had lived all his life in the district, and Reformers could hardly hope to obtain an equally popular candidate. The United party, too, was fortunate in securing the services of Mr. Jull, who had contested the seat against Sir George Hunter in previous elections. Mr. Jull also lives in the district and had for a

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number of years served it on many local bodies. It was indeed unanimously acknowledged that he was a strong candidate, and the press have generally accepted his success as well deserved. Mr. Tucker, the Reform candidate, put up a good fight, and for a new man did very well, but the personal factor was too much for him. Mr. Jull's victory, however, must be taken rather as a personal triumph than as a decisive verdict for the Government's policy.

The session which ended on Saturday, October 25, cannot be described as an inspiring one. Some, indeed, consider it the worst that this country has ever had. Its conclusion found the relations between the Government and the Labour party far from cordial. They seemed, indeed, almost to have reached the breaking point. In his closing speech the acting Prime Minister warned the House that it might be necessary to call Parliament together again earlier than usual. He did not explain what he meant, but his further remarks suggested that he had in mind the possibility of developments which, in default of an improvement in the prices of exports, would render it imperative to deal with economic questions such as public works and railway construction.

The general impression of the session was expressed in the *Evening Post*, an independent journal, but one which is not unfriendly to the Government. The *Evening Post* felt that time had been wasted on little things, while big questions, some of them really urgent like the transport and railway reform, had been neglected. Stronger leadership was, it considered, essential. A policy of standing still is not likely to be condoned, though it is admitted that the Government have had to face a difficult position. For the greater part of their first session they had the misfortune to be without the leadership of the Prime Minister, Sir Joseph Ward, and during the late session Mr. Forbes has been away at the Imperial Conference, thus depriving them of the authority and leadership which are necessary for

Unemployment

important and difficult issues. Mr. Ransom has shown tact and patience as acting leader of the House, and he is much liked by all parties; but he has been handicapped by the lack of a definite Cabinet policy.

III. UNEMPLOYMENT

THE main features of the Unemployment Bill passed last session have already been given in this review*. They include the creation of a permanent board, with a strong personnel, representing primary and secondary industries, employers and employed, with the Minister as chairman, to deal with unemployment problems, and the establishment of a special fund to meet the purposes of the board and to be raised partly by a tax of 30s. a year, payable, with certain exemptions, by every male of twenty years or over, partly by a contribution from the Consolidated Fund. It was pointed out that, apart from the rates prescribed for the provision of sustenance, the board would at the outset be confronted with the problem of whether the award rate of 14s. a day, which was applied by the War Government to relief works in place of the 9s. previously paid to single men and 12s. to married men, could be maintained. Practically all sections of the community are strongly of opinion that this rate of 14s., together with the award rates of wages fixed by the Arbitration Court for various industries, prevent the cost of production from being adjusted to meet existing world prices for the exports of New Zealand. These factors are indeed regarded as the crux of the present situation, quite apart from the additional one that the high rate of pay given for relief work makes it more attractive than either farm work or work in many industries; that the rate often provides young men with a larger income than they could reasonably expect to earn if apprenticed to some trade or working on the land, and that community life in camp at relief works—with the

* THE ROUND TABLE, No. 81, December 1930, pp. 219-222.

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unusual opportunities for enjoyment that it brings—is not calculated to promote thrift. It is, however, the Government which is carrying on the relief works, and the fixing of the rate of pay is a part of its policy with which the Unemployment Board cannot interfere.

There was, none the less, a widespread impression that the Unemployment Board would be able to alter the rate, and when people saw it untouched by the initial small schemes launched by it, a good deal of criticism resulted, based on the assumption that the board is keeping on a rate which it has power to alter. This criticism is not justified. It is impossible to describe here the various functions of the board under the Act of October 11, but the allowances for sustenance which the board is authorised to make out of the Unemployment Fund are as follows :—

(a) In respect of the contributor, the sum of 21s. a week ; (b) In respect of the wife of the contributor or other person who in the opinion of the board is in charge of his home and family, the sum of 17s. 6d. a week ; (c) In respect of any child of the contributor, the sum of 4s. a week.

No direct power is given the board to prescribe the rate of wages when it makes grants or loans, and it has refrained from attempting to dictate either to local bodies receiving grants or to individuals to whom offers of part payment of wages have been made, nor has it interfered with the actual rate of wages. It has, however, announced that in the case of grants to local bodies wages will not be allowed at a higher rate than 14s. a day in estimating the value of the work for which the grant is made, or in the case of advances to individuals at more than 7s. a day. No money can be paid out of the Unemployment Fund except by the direction of the Minister of Finance on the recommendation of the Unemployment Board, and it is obvious that the Minister cannot approve of any recommendation which is not in harmony with the declared policy of his Government. Mr. Burdekin, the deputy chairman of the board, has, in answer to the above-mentioned criticism,

Railway Policy

denied that the board is continuing, or has anything to do with, the present rate of wages.

I want (he said)* to make it clear to you that notwithstanding what has appeared in the press, and what has been stated from the public platform by Mr. W. J. Polson, M.P., the cold, hard fact remains that the policy of the Unemployment Board is not to interfere in any way with the existing rates of wages in New Zealand. As far as we are concerned, employer and employee are free to arrange between themselves what wages will be paid. We are not going to dictate to local bodies. All we say is we will only pay up to 7s. a day. We have not set 14s. a day as the standard rate of pay in New Zealand.

The Unemployment Board has many difficulties to face, and its position will not be made easier by attacks on account of a policy over which it has no control.

Up to date the board has not had time to embark upon any large scheme, and it has so far contented itself with two small ones intended to meet cases of hardship during the holiday season. One is concerned with subsidies to local bodies, and the other with a subsidy to wages in cases of individual employment. Some £10,000 was also distributed to local bodies in order to provide two days' work or sustenance for all the unemployed at Christmas time. The board has further announced its intention of paying sustenance as provided by the Act in February.

IV. RAILWAY POLICY

IN the last days of the session the Select Committee set up to consider the future of railway lines under construction reported that it had not yet had time to make recommendations. A minority of three, however, expressed an emphatic opinion against finishing the South Island Main Trunk line or the Midland and Gisborne-Napier lines. Their report and that of the Royal Commission set up to report on the question of economies in railway control and management were considered

* *The Dominion*, December 19.

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together by the House, but no conclusion was reached. The report of the Royal Commission was presented on October 3. It recommended drastic changes, and, among other things, management by an independent board of directors instead of the present system of political control. Increased charges, estimated to yield an additional revenue of £334,000 a year, and economies expected to effect an annual saving of £294,000 were also recommended. Other proposals were the abolition of various concessions, an increase in the fares on certain runs, the disposal of all surplus labour, a reduction in personnel, and changes in departmental organisation. The Government, in spite of these reports, has in neither case a settled policy, and the following leading article which appeared in the *Auckland Star* on October 22 fairly reflects press opinion throughout the country :—

The Minister of Railways said the part of the Commission's report dealing with charges was to be adopted, but while he gave his own opinion against the proposed non-political control, apparently he did not speak for the Government on this point. No indication was given of what the Government means to do with the lines under construction.

To say that the position is profoundly unsatisfactory is to put it mildly. For fifty years in New Zealand's history there has not been a period in which economy was so necessary as it is to-day, yet construction of these railway lines, which a Government report estimates will involve a loss of £737,000 a year, is allowed to proceed. It is not as if the Government had definitely decided that it should proceed, and had attempted to justify this action. It has made no decision; it talks about prudence in public works expenditure, but in this important respect it is without conviction. The minority report of the Committee is a fresh reminder of the gravity of the problem. It is important to note that these three members declare that the Committee had before it all the data available on which an opinion could be formed. They heard the departmental officers, "who had all the information upon which the decision to construct railways was based." Of course, all this information is available to the Government at any time. These members' findings on three of the lines under dispute should be noted by everybody. They dispute the estimates for the South Island Main Trunk, and say that completion would not greatly increase land settlement; they consider that work on the Midland line should cease immediately;

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the electors of New South Wales swallowed Mr. Lang's preposterous programme at a gulp. For many voters the vote seems to have been rather a rejection of Mr. Bavin than a choice of Mr. Lang. He promised immediate relief at any rate. From some points of view the result may be regarded as the triumph of selfishness. It was certainly the triumph of unreason. It is tempting to say that the New South Wales election shows the impossibility of carrying out in the present conditions of Australian democracy the policy of reconstruction which has been successfully adopted in several European countries since the war. In any case, no New South Wales Government has been successful at the polls for sixteen years.

One aspect of the election—the part played by the public servants—calls for special comment, since it emphasises tendencies discernible throughout Australian politics. Without suggesting that every public servant voted Labour, it seems certain that the public service vote played an important part in the result. The mere exercise of the franchise by so distinct and numerous a class (including in New South Wales, it is estimated, one out of every six voters) gives rise to serious problems. But the growing political temper of the public service is a danger both to politics and to administration. The public service is highly organised, and a body of 100,000 persons whose remuneration is directly at stake can easily hold a government or a party to ransom. In New South Wales dozens of public servants spoke from Labour platforms, and several offered themselves as candidates, exercising the privilege of getting leave to contest an election conferred by an amendment of the constitution in 1916. It is important, if government is to be carried on efficiently and impartially, that this growing political temper of the public service should be curbed.

Once in office, Mr. Lang found himself confronted with those realities which, for electoral purposes, he had ignored. He went to a meeting of the Loan Council in November,

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but, as had been foreseen, his hands were tied, and the work of the Council proceeded normally. He has had the courage to propose a heavy increase in the tax on wages for unemployment relief, which the workers have, of course, been very disinclined to regard as a sign of "better times." He has, however, taken steps towards one of his major objectives, the abolition of the Legislative Council. Mr. Lang failed in 1927 (after difficulties with the Governor) to "swamp" the Council with a view to its abolition.* Mr. Bavin proposed to submit a reformed constitution to popular vote this year, but was not able to do so. Without waiting to test the fate of any of his policies, Mr. Lang assured Sir Philip Game, the new Governor, that he had only 20 supporters in a House of 88, and asked for 40 new nominees. The Governor—very properly, it seems—refused to make appointments until it was clear that Mr. Lang would otherwise be unable to carry out his policy. The Premier's reply was to introduce two Bills in the Council. The first was a constitutional amendment to repeal, *inter alia*, the statute which Mr. Bavin had sponsored earlier in the year providing that no Bill altering the constitution of, or abolishing, the Legislative Council should be presented for the Royal assent until it had been submitted to a referendum. The second Bill was to abolish the Council. The Council surprised the Premier by passing both Bills without a division. Then, on the suit of several Councillors, the Supreme Court of New South Wales issued a decree restraining Sir John Peden, President of the Council, and the Government from presenting the Bills for the Royal assent until they shall have been passed at a referendum. The Court held that under the Colonial Laws Validity Act the State constitution can be altered only in the manner prescribed therein, and that Mr. Bavin's amendment of the constitution, requiring a referendum prior to the

* THE ROUND TABLE, Nos. 66, March 1927, pp. 382 *et seq.*, and 65, December 1926, pp. 623–632.

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alteration of the relevant sections, did control succeeding Parliaments until repealed in accordance with its own provisions. In other words, the Colonial Laws Validity Act does contemplate, for colonial constitutions legal guarantees of stability as well as the political safeguards which alone apply to the Imperial Parliament. The case will doubtless find its way to the Privy Council. Mr. Lang has no wish to take a referendum. Nor would Queensland's history encourage him to do so. There, a referendum went against the Government, and the Council had to be abolished by legislation.

Federal Politics since October 25.

We may now return to the course of Federal politics, which was interrupted pending the New South Wales election results. All through October the press throughout Australia treated the campaign as fateful for the whole country, and urged with understandable exaggeration that a Labour victory would spell immediate national disaster. Fortunately these forecasts have not been realised. But the effects of Mr. Lang's victory have already been far-reaching and regrettable, and are still far from being exhausted. The Federal caucus met immediately to discuss the financial proposals to be submitted to Parliament, and the struggle which had been going on within the Cabinet was extended to the party room. The Fenton-Lyons-Forde section stood by the Melbourne agreement, and proposed to balance the budget by means of fresh taxes and of economies amounting to some four million pounds. The Anstey-Beasley section would have none of it. The caucus was dominated by the 22 New South Wales members, flushed with Mr. Lang's victory. The Melbourne agreement was denounced as the product of an intolerable interference by outsiders with Australia's domestic affairs. The proposed taxes the caucus did accept, but the utmost measure of retrenchment agreed to was a reduction, by means of a special tax, of civil

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service salaries of £725 and upwards. It may have been impossible to balance the Federal budget in any case, in a year of falling incomes and shrinking imports, without bringing government to a standstill. But the caucus resolutions made it certain that there would be a deficit of £8 million at least. The extreme section went on to develop a plan for Australia's rehabilitation based on their often expressed view that the economic depression is only a conspiracy on the part of the banks to reduce the Australian standard of living. What Australia needs is more spending power. The orthodox and arduous way of getting it is to produce more and lower one's cost of production, so as to be able to sell more. Mr. Anstey's way is to print more notes, or, if that sounds too reminiscent of German and Austrian tragedies, "to release credit." It is the banks, and especially the Commonwealth Bank, "the People's Bank," to which we should look for better times. Agreeing with Mr. Anstey, the caucus resolved that the Commonwealth Bank should be required, as and when necessary, to furnish credits for financing government operations—*e.g.*, extending the Government's overdraft so as to cover the deficit expected—for financing fresh public works, and for assisting production, primary and secondary. The Commonwealth Bank Board, however, had been established by Mr. Bruce on a basis independent of Governments, and it was scarcely expected by anybody that it would meet the requests preferred. In that case the Government would re-introduce and push to a conclusion the banking legislation which the Senate had already shelved earlier in the session; if the Senate again proved obdurate, a "double dissolution" was to be secured.

Eventually, on November 5, Mr. Lyons, the acting Treasurer, placed before Parliament the Ministry's plans for budget revision, as modified by the caucus. On the following day the caucus resolved that the bondholders in the internal loans maturing in December and shortly

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afterwards should, save in cases of hardship, be required to accept payment a year later. This was too much for Mr. Lyons. For a few days he seems to have contemplated resignation, but he consulted his leader in London, and decided not only to remain, but to defy the caucus. That speaks volumes for Mr. Lyons's courage and independence, as well as for his sense of political realities. He had sustained the burden of the attack, standing firm, backed strongly indeed, but only from a distance, by the Prime Minister and the two other Ministers in London, even when others wavered. In any party the man who defies the party meeting takes his political future in his hands ; but it is particularly true in the Labour party, because the system of pre-selection ballots is so highly developed and so well controlled. After an anxious fortnight for the whole of Australia, Mr. Lyons rallied enough support in Cabinet and caucus to reach a compromise and to avert an open split. The issue between moderates and extremists in the Cabinet was to be put aside until the Prime Minister and his colleagues came home in January. Mr. Lyons was to arrange through the Loan Council in the ordinary way for the flotation of a conversion loan of £28 million (£18 million for the Commonwealth and £10 million for the States) in December.

It should perhaps be said that the decisions of the caucus, involving, as they did, a complete failure to implement the Melbourne agreement, should not be regarded as evincing simply a reckless disregard of pledges. There is involved in them nothing less than a whole theory of party politics, hammered out in the history of trade unionism, the theory that "the party must decide." The Melbourne agreement, argued the official journal of the Labour movement in New South Wales, was indeed signed by members of the Federal Cabinet, but it was never accepted by the Federal Labour party, and the party not only rejected that agreement, but put forward an alternative scheme to replace it, and "the party will must prevail." "The

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party is elected by the people, and the Ministry is chosen by the party."

The Federal position is still critical. The extremist section, becoming restive again, induced the caucus to instruct the Ministry to put before the Commonwealth Bank Board the proposals for "releasing credit" already referred to. They could scarcely have expected much satisfaction, and certainly got none; but the caucus did make an attempt to force the Bank's hand in connection with the wheat harvest. The Bank announced that it would make a first advance to wheat pools of 2s. a bushel at country railway stations, equivalent to 2s. 6d. f.o.b. Under instructions from the caucus, the Ministry forced through the House a Bill guaranteeing to pools 3s. f.o.b. This is more than wheat is worth at current prices, and is likely to involve the Commonwealth in additional expenditure of anything up to £6 million. The money must be found either by additional taxation or by the Bank. The Senate passed the Bill. The Bank has so far made no move; the growers simply do not know where they are the wheat sales have been completely disorganised.

The situation, however, is not altogether without its hopeful elements. The budgetary position in the States is on the whole encouraging, though it depends a good deal on the result of the proceedings in the Commonwealth Arbitration Court chronicled below. It is also highly satisfactory that the conversion loan was over-subscribed, on reasonable terms—6 per cent. for two years, $5\frac{3}{4}$ per cent. for ten, and $5\frac{1}{2}$ per cent. for twenty. This result is a fine gesture of confidence from within Australia herself, and there was the same kind of spirit about subscribing as was shown during the war. Nevertheless, so long as the inflationists sway the caucus, and the Commonwealth refuses to take reconstruction in deadly earnest, there seems to be little ground for optimism.

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The Wage Level.

The stabilisation of public finance is a vital, but by no means the most vital, element in Australia's present position, nor for that matter can public finance really be stabilised apart from the general restoration of economic equilibrium. In the problem of reconstruction the ultimate factor is that owing to the fall in the world prices of wool and wheat and base metals, which make up over 70 per cent. of Australia's exports, the country has suffered, and must continue to suffer, a fall in real income. At present the loss is being borne by primary producers, by those whose incomes depend on the profits of Australian businesses, including proprietors, shareholders, and salaried officers, and by wage-earners who are unemployed or whose employment is "rationed," but not by the general body of wage-earners. As prices have fallen, the basic wage has automatically fallen too, but this, of course, has not involved any loss of real income. The official percentage of trade unionists unemployed rose to 20.4 in the third quarter of 1930, and it has risen still further since. No solution for the problem of unemployment, and no general recovery will be possible apart from lower costs in industry, involving a reduction of the wage level roughly proportionate to the decline in the national income. The quarter under review has been marked by an attempt, strongly resisted, to use the machinery of the Commonwealth Arbitration Court to secure this reduction.

It was the Railway Commissioners of South Australia, Victoria, Tasmania, and New South Wales who made the first move, for railway deficits constitute some three-fourths of the whole budget problem of the States. These applications have been regarded as test cases, upon which numerous applications from other employers will depend. The story illustrates afresh not only the unwieldiness of the Australian arbitration system but the embarrassments which arise from the constitutional division of powers

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between Commonwealth and States. It can, however, be told here only in an abbreviated form. Application was made to have the railway award set aside in so far as it concerns employees receiving more than the basic wage. The railwaymen's union was very anxious to delay proceedings as long as possible, and, as the Federal Government had declared for a policy of "no wage reduction," the union found no difficulty in securing the appointment of a conciliation commissioner and committees under the amending Arbitration Act which had just become law.* Little delay actually occurred, and the Arbitration Court went on to make an order setting aside the award, preserving only the basic wage and the standard hours. Being appealed to by the railwaymen to hold that the appointment of conciliation committees excluded the jurisdiction of the Arbitration Court, the High Court held instead that the new sections providing for the appointment of conciliation committees were *ultra vires* and void. "A law which enables a body of persons," said the Court, "to settle a dispute by issuing a decree arrived at by discussion among themselves, without any hearing or determination between the disputants, is not a law with respect to conciliation and arbitration for the prevention and settlement of industrial disputes, and is not authorised by the constitution." Nobody can derive much satisfaction from this decision, however correct it may be. It was regarded in Labour circles as a proof of the "undemocratic" character of the High Court and of the desirability of appointing at once to the vacant seats on the bench men who understand Labour principles. By direction (it is reported) of the caucus, Dr. H. V. Evatt, K.C. and Mr. E. A. McTiernan, M.H.R., both of the New South Wales bar, have accordingly been appointed.

The ground on which the original application was made was simply that in the existing economic condition of the country it was imperative to balance State budgets, and

* THE ROUND TABLE, No. 81, December 1930, p. 184.

Australian Finance : The Narrow Way

that with the existing wage bill for the railways it was impossible to do it. At that time—early in October—it was stated that deficits seemed inevitable, in New South Wales of about £4 million, in Victoria of about £2 million, and in South Australia of about the same amount. On the same grounds of national emergency the Victorian and Tasmanian Commissioners (the others being requested to withdraw by their respective governments) further applied for a variation of the principles upon which the basic wage itself is calculated. Ever since the "Harvester" award in 1907, adjustments in the basic wage have been made by reference to an index number based on the retail prices of food and of house rent. This is estimated to represent about 60 per cent. of household expenditure, and the items included have not fallen as much as those which would be included if an "all lines" number were taken. By taking the inclusive figure, the Commissioners claim that a reduction of 6 per cent. would be effected. They claim also that the "Powers 3s."* should now be deducted from the basic wage. It was added in 1922, and was explained as compensation for the lag between wages and a rising cost of living, but it has been continued ever since, and it is claimed that a further 4 per cent. would be saved by eliminating it. Thus, the Commissioners claim, the real wage would be reduced by 10 per cent. without reducing the worker below the standard fixed by Mr. Justice Higgins in the "Harvester" case. In the hope of delaying proceedings the unions involved sought an adjournment during which the Commonwealth Statistician should make certain investigations. The subjects proposed ranged over practically the whole sphere of Australian economics, but when the alarmed Statistician applied for a direction from the Court, the Court refused to permit an inquiry which might last "for years and years and years." The reply of the unions was delivered by the Common-

* So called from Mr. Justice Powers, the Judge who made the decision.

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wealth Government, which appointed the Statistician and others a Royal Commission to enquire, *inter alia*, into the cost of living for a man with a wife and three children. But the Parliament has no power to make the Commissioner's report binding, and the Arbitration Court is in the meantime proceeding with the hearing.

II. THE IMPERIAL CONFERENCE : AN AUSTRALIAN GOVERNOR-GENERAL

THE Imperial Conference aroused almost continuous interest in Australia for over three months, from the time of Mr. Scullin's departure until the proceedings in London had closed. As might be expected at a time like the present, economics held the pride of place in the minds of Australians ; Mr. Scullin was commonly regarded as *en mission* to gain better markets in Britain for our primary products. At first the tone of the press was cautious, and there were some discussions on the basis of general principles. But as the Conference proceeded, almost the whole Australian press was strongly affected by the natural but dangerous desire to present a dramatic narrative of the events overseas. The position of Great Britain as a world Power was forgotten, and the discussions at Westminster were so described as to give the impression that statesmanlike proposals for Empire prosperity were being frustrated by a tiny group of Cobdenite theorists. It was remarkable that although the September number of THE ROUND TABLE reached Australia at the height of the economic discussions, no public notice whatever was taken of the powerful article on "Imperial Economic Unity." The reasonable needs of the generous Dominions were being denied satisfaction owing to the implacable and rock-like Mr. Snowden, and the unpractical internationalist, Mr. Ramsay MacDonald. Disappointment was loud as the fruitlessness of the preference proposals

The Imperial Conference

became apparent. But there was a general tendency to draw consolation from looking to a future, even to an immediate future, in which the British electorate, already increasingly awake to the possibilities of preferential tariffs within the Empire, should sweep the unrepentant Cobdenites out of office.

The Australian people has never, and Australian governments have only intermittently, been keenly interested in the constitutional aspect of Empire development, and during this Conference the press was frankly impatient on the subject. It warmly supported Mr. Scullin when in the name of Australia he disavowed all interest in the question of secession, and for the rest supported the view, pressed on the Government in Parliament by Mr. Latham and Mr. W. M. Hughes, that it was both unnecessary and dangerous to try to put into legal formulæ the constitutional understandings on which Dominion status rests. The Australian people still finds it impossible to understand what interest and importance these matters have for other Dominions.

In view of the rumours that had been current about Lord Stonehaven's successor, however, the discussion in London about Governors-General did evoke some interest. The decision was understood to mean that the precedent set in the case of the Irish Free State in 1927 would now be generally followed, and that this precedent involved the transfer to the Dominion Government of the functions hitherto performed by the British Government. It was understood also that the appointment of Governors-General was a matter on which care was taken, and to be taken, to preserve as a reality the King's prerogative of appointment, and that the practice was to submit more than one name for the King's final choice. But few Australians took any trouble to understand these formalities, and the decision of the Conference was noted without any enthusiasm. Indeed in many quarters it was regretted. Thousands of persons had signed a petition to His Majesty

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against any change. But few even of these persons really understood the existing practice. What they really wanted was the maintenance of the system whereby men from overseas were sent as the King's representative. It was generally thought that the result of the discussions at the Conference had been to induce Mr. Scullin to drop any proposal he might have formed to obtain the appointment of an Australian as Lord Stonehaven's successor.

Australia was therefore taken by surprise by the announcement (from Australia House) that the King had, "on the recommendation of" Mr. Scullin, appointed the Chief Justice of the High Court of Australia, Sir Isaac Isaacs, to be Governor-General. If the office of Governor-General is to be thus brought within the sphere of Australian self-government, no person more highly qualified in capacity and experience than Sir Isaac Isaacs could well be found. His long life offers a remarkable instance of the *carrière ouverte aux talents* which should be the boast of a democratic community. He has been a member of Parliament and a Minister of the Crown, both in the colony of Victoria before federation and in the Commonwealth since. While never a member of the Labour party, he has always had, like other Liberals of the radical Deakin school, a strong sympathy with Labour policies. He has been for twenty-four years a Justice of the High Court of Australia, and it is common knowledge that in 1920 it was under his influence that the High Court, overruling its previous decisions, laid down the principles on which the Commonwealth constitution has since been interpreted. He had recently been elevated to the highest judicial office in the Commonwealth. The people of Australia are fortunate in the first Australian occupant of the Governor-General's office. Nevertheless, there are powerful considerations, constitutional, political, and sentimental, which may be urged against treating this appointment as a precedent to be followed. To begin with, the functions of Commonwealth Ministers are derived from the constitution of the Common-

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wealth, and while the constitution does contemplate their giving advice in the technical and formal sense to the Governor-General as the King's representative, it clearly does not contemplate their giving advice in that sense to the King in person. It is said that such a development is the logical outcome of the decisions taken at the Imperial Conference in 1926. But these decisions can scarcely have the effect of altering the constitutional law of the Commonwealth so as to confer on Ministers legal powers not conferred by the constitution. It is a more serious thing that by taking Ministerial responsibility for the new appointment the Prime Minister has apparently brought the appointment of the Governor-General, just like the appointment of any other officer of the Commonwealth, within the ordinary range of Cabinet government, and has subjected it to all the incidents of party politics. This may mean, as has been said here and in London, that the appointment of the King's personal representative may be the issue in a general election—which would be as embarrassing to His Majesty as to the representative when he was eventually appointed. It was certainly not intended, when the Imperial Conference declared in 1926 that the Governor-General is not to be regarded as a representative of the British Ministry, that he should become the representative of a Dominion Ministry.

This is a time when we must devise new methods to meet new needs, and recognise the appointment of the Governor-General as an exception to the hitherto universal rule of Ministerial responsibility, so that, while the Dominion is, in the future as in the past, given an effective voice in the appointment, no Minister shall give "advice" in the formal sense, and the King's own wishes shall be the determining factor in the choice. If the Governor-General is to be the representative of the Commonwealth Ministry and an Australian, the Chief Justice of the High Court does seem to be in general the proper person, perhaps the only proper person, to be appointed. But most lawyers

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would regard it as undesirable that such promotion should come to be regarded as the regular thing.

The step that Mr. Scullin has taken is of course in furtherance of the long-standing policy of the Labour party. But it was not discussed in Parliament before the Prime Minister went to London, and though Australian opinion on the subject is not very articulate and is not divided strictly along party lines, it is very doubtful whether the change to Australian Governors-General, or even State Governors for that matter, would be endorsed by the majority of the people. Many people, especially in the smaller States, doubt whether our population is large enough to afford us a sufficient succession of men with suitable qualifications. And many more value the purely sentimental link of Empire created by men from overseas who, in themselves, apart from their qualifications for gubernatorial office, and apart even from their personal popularity or unpopularity, stand as a symbol of the wider community of which Australia is a part. No Australian, however eminent and popular, can do that, or be more than the first Australian in the land. But whether an Australian should be appointed, and how the Governor-General should be appointed, are in reality two quite distinct questions, and it is to be hoped that in the discussions which are bound to ensue they will be kept clearly distinct.

Australia.

December 24, 1930.

Postscript

Since this article left Australia, Mr. Scullin has made Mr. Theodore Treasurer, and Mr. Fenton and Mr. Lyons have resigned. The Conference of Premiers, rejecting a scheme of Mr. Lang's, have decided that each Government must balance its budget in three years, and "an appropriate monetary policy" on the lines of a plan of Mr. Theodore's (to restore the level of prices by credit inflation) examined by the Commonwealth Bank and Treasury. The Commonwealth Arbitration Court has decided upon a 10 per cent. cut in the basic wage for the State railways mentioned in Section I, but at the time this note goes to press the details of the application have not been settled.

EDITOR.

SOUTH AFRICA

I. THE UNION AND THE IMPERIAL CONFERENCE

FOR most South Africans an Imperial Conference has come before all else to signify an occasion for the discussion of inter-Imperial relations. And while the economic aspects of the 1930 Conference attracted more attention in the Union than was the case with its predecessors, if only because men hoped that by extending the market for South Africa's agricultural products, it might bring her relief from her present discontents, yet, even so, its constitutional possibilities aroused the more widespread interest. The political significance, not least for South Africa, of the constitutional pronouncement of 1926 was fresh in men's minds; moreover the "right of secession" debate* in the last session of the Union Parliament stimulated the anticipation that the question of that right would be a primary issue at the London deliberations.

That debate culminated in the adoption, after a vote on strict party lines, of a resolution which attached to the approval of the report of the 1929 Conference on the Operation of Dominion Legislation a proviso "that section 60 of the report shall not be taken as derogating from the right of any member of the British Commonwealth of Nations to withdraw therefrom." Moreover, during its course, General Hertzog declared that he would regard the resolution as a mandate, and would see "when I go to London that action is taken which will enable me when I come back to be able to say that that door (*i.e.*, the door to secession) is not locked on us." It is true that, in the valedictory speech delivered on his departure for Europe, he somewhat qualified that statement—or at least the implication which it seemed to bear—but, even so, newspaper comment both in London and in South Africa, fostered the belief that he would seek to return to the

* THE ROUND TABLE, No. 80, September 1930, pp. 881-883.

South Africa

Union in 1930 with a formal declaration of South Africa's right of secession, just as he had returned in 1926 with a declaration of South Africa's freedom and equality of status. These anticipations were further stimulated by a speech delivered simultaneously with the commencement of the Imperial Conference by Dr. D. F. Malan, acting Prime Minister, in opening the Cape Provincial Congress of the Nationalist party. In that speech he dealt exhaustively with questions of inter-Imperial relations, affirmed South Africa's right of secession and her right of neutrality in the event of war, and, as a corollary, categorically repudiated the doctrine of the unity and indivisibility of the Crown. Many not unnaturally drew the inference that the acting Prime Minister was setting forth the programme with which his chief had gone to the Imperial Conference, and that he would face that body with a demand for an amplified Balfour pronouncement, embodying categorical statements on the issues thus raised.

In the light of these anticipations, the results of the Conference on the constitutional side have appeared to South Africans to be surprisingly meagre and devoid of significance. The report of the 1929 Conference on the Operation of Dominion Legislation, which met with general acceptance in the Union, has been adopted with but little modification, as indeed everyone thought it would be, but for the rest the constitutional section of the summary of the Conference's proceedings contains little of a nature to kindle interest in South Africa. There is a paragraph which deals with the position of Governors-General which—the more so if it is viewed in conjunction with the subsequently announced appointment of Sir Isaac Isaacs in Australia—foreshadows the appointment of a native-born South African to a similar post in the Union; it will arouse little cavil or criticism in South Africa, although there are many South Africans who will agree, both on constitutional and on general grounds, with the view put forward in the last issue of *THE ROUND*

The Balance of Trade

tariff truce, but the negotiations which must precede such an event, even if it is to be on a small scale, call for qualities of understanding and patience which are all too rare both at home and abroad. A further side of the problem, however, lies entirely in our own hands, and that is the ready adoption of the best possible marketing policies.

To return, however, to the balance of trade. We have experienced a severe and unexpected decline in exports, and, while the worst is perhaps over, we shall probably have for some time to come to face less favourable terms of trade than a few years ago. How have we stood the test of the past critical year?

Our balance of international payments for the years 1913, 1925 and 1930 will be found in the Appendix in Table III, which may perhaps be left to explain itself with the aid of the notes attached to it.

Another table gives, for the years 1913 to 1930: (1) The excess of exports over imports, (2) the balance of the various "invisible" items in the accounts, and (3) the net balance which, subject to inevitable errors and omissions, represents the net flow of capital inward or outward. The most striking facts which emerge from this table are the steady decline of the adverse balance in the invisible items, and the occurrence of several consecutive years of net capital exports. Thanks largely to the rapid growth of the tourist trade, the revenue from which is now equal to the entire interest and dividend payments due to foreign investors, the invisible debit and credit items now almost exactly balance. It is not unlikely that in the near future Canada will have a small excess of credits in these items.

We are now in a position to give at least a tentative answer to the question with which we started. Canada has met the sudden and unexpected reduction of \$475 million in her exports by reducing her imports \$200 million, by reducing her capital exports \$150 million, by reducing her repurchases of Canadian securities formerly held abroad by

Canada

\$75 million, and by increasing her tourist revenue by \$50 million. Canadian foreign borrowings in 1930 were somewhat below the average for the previous three years. With the return of more normal conditions we may expect a resumption of the repurchase on a considerable scale of securities now held abroad, and fresh capital exports.

Canada.

January 28, 1931.

APPENDIX

TABLE I

EXPORTS (VALUES IN MILLIONS OF DOLLARS)

				Change	Per cent.
<i>Raw Materials, etc.—</i>	1928	1930*	Change		
Grain and its Products ..	558.1	242.3	— 315.8	— 56.5	
Fisheries	36.3	30.7	— 5.6	— 15.4	
Meat and Dairy Products	97.5	44.5	— 53.0	— 54.4	
Lumber	92.9	70.5	— 22.4	— 24.0	
Pulp and Paper	192.8	178.6	— 14.2	— 7.4	
Non-Ferrous Metals ..	103.4	119.2	+ 15.8	+ 15.3	
Total	1,081.0	685.8	— 395.2	— 36.6	
<i>Manufactures—</i>					
Rubber Goods	30.7	25.5	— 5.2	— 16.9	
Textile Products	6.7	6.8	+ 0.1	+ 1.5	
Iron and Steel Products	70.7	49.5	— 21.2	— 30.0	
Chemicals	18.4	17.2	— 1.2	— 6.5	
Total	126.5	99.0	— 27.5	— 21.7	
All other goods	166.7	143.0	— 23.7	— 14.2	
Grand Total (merchandise only)	1,374.2	927.8	— 446.4	— 32.5	

* 12 months ending November 30.

Appendix

TABLE II

IMPORTS (VALUES IN MILLIONS OF DOLLARS).

<i>Manufactured Goods (chiefly capital)—</i>	1928	1930*	Change	Change Per cent.
Iron and Steel (plates, bars, etc.)	68.5	57.2	— 11.3	—16.5
Iron and Steel (finished goods)	207.6	138.5	— 69.1	—33.3
Total	276.1	195.7	— 80.4	—29.1
<i>Manufacturers' Raw Materials—</i>				
Rubber	20.0	10.3	— 9.7	—48.5
Textiles	50.6	33.0	— 17.6	—34.8
Ores	21.1	15.2	— 5.9	—28.0
Coal	61.3	64.5	+ 3.2	+ 5.2
Petroleum	62.6	67.4	+ 4.8	+ 7.7
Total	215.6	190.4	— 25.2	—11.7
<i>Consumers' Manufactured Goods—</i>				
Cottons	33.1	26.1	— 7.0	—21.1
Woollens	42.2	33.6	— 8.6	—20.4
Other Textiles	67.0	59.0	— 8.0	—11.9
Iron and Steel Products	37.9	28.4	— 9.5	—25.0
Household sundries ..	93.5	92.7	— 0.8	— 0.9
Total	273.7	239.8	— 33.9	—12.4
Tropical Foods	132.4	115.8	— 16.6	—12.5
All other	324.5	290.8	— 33.7	—10.4
Grand Total (merchandise only)	1,222.3	1,032.5	—189.8	—15.5

* 12 months ending November 30.

Canada

TABLE III

CANADA'S BALANCE OF INTERNATIONAL PAYMENTS
(VALUE IN MILLIONS OF DOLLARS)

	1913		1925		1930	
	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.
Merchandise and Bullion	473	693	1,316	926	900	1,025
Freights*	38	56	84	105	80	115
Interest†	10	137	51	259	95	315
Tourists‡	30	37	175	67	315	100
Insurance§	2	6	16	19	45	22
Advertising	1	—	3	—	5	1
Motion Pictures ..	—	—	—	4	—	5
Government Expenditure	3	8	12	11	12	12
Other Non-Commercial ..	10	65	16	21	13	22
Total Current Items ..	567	1,002	1,673	1,412	1,465	1,617
New Investments	591	46	157	250	344	133
Redemptions and Re- purchases	55	—	108	18	108	50
Net Investments	536	46	49	232	236	83
Balance**	—	55	—	78	—	1
Total	1,103	1,103	1,722	1,722	1,701	1,701

* Freight charges : Imports are valued f.o.b., point of original shipment, hence transportation charges must be paid to the Canadian border. Exports are valued f.o.b., point of original shipment, and transportation charges to the point at which they leave the Canadian carrier are earned. Moreover, Canada earns large sums on a large volume of American freight travelling through Canada in bond, especially across south-western Ontario.

† Interest : At present there is approximately \$6,375,000,000 of foreign capital invested in Canada on which interest and dividends must be paid. On the other hand, Canadians have nearly \$2,000,000,000 invested abroad on which interest and dividends are earned.

‡ Tourists : The growth in the tourist trade has been extraordinary. In 1920 some two million visitors spent about \$85,000,000 in Canada. In 1929 we had 16 million tourists who spent about \$300 million. In the same decade the expenses of Canadian tourists abroad increased from \$45 million to \$100 million a year.

§ Insurance : The figures reflect the expansion into foreign fields of some of the large Canadian Insurance Companies.

** The balance represents errors and omissions. Some of the omissions are smuggling, short term loans and credits, and private stock trading transactions of an international character.

Appendix

TABLE IV

(VALUES IN MILLIONS OF DOLLARS)

		Merchandise and Bullion	Invisible Items	Total
Dr.	1913	.. — 220	— 215	— 435
25	1914	.. — 83	— 214	— 297
15	1915	.. + 140	— 230	— 90
15	1916	.. + 239	— 309	— 70
00	1917	.. + 493	— 370	+ 123
22	1918	.. + 387	— 389	— 2
1	1919	.. + 206	— 351	— 145
5	1920	.. — 18	— 270	— 288
12	1921	.. + 54	— 216	— 162
22	1922	.. + 95	— 181	— 86
—	1923	.. + 198	— 170	+ 28
17	1924	.. + 251	— 150	+ 101
—	1925	.. + 390	— 129	+ 261
33	1926	.. + 318	— 142	+ 176
—	1927	.. + 166	— 115	+ 51
50	1928	.. + 230	— 63	+ 167
—	1929	.. — 36	— 52	+ 88
83	1930	.. — 125	— 27	— 152

Inward flow of capital is shown —, and outward flow +.

AUSTRALIA

I. AUSTRALIAN FINANCE : THE NARROW WAY

WHEN at Melbourne in August last* the seven Governments of Australia solemnly agreed to take the steps necessary to balance their budgets in the current financial year, and to keep them balanced in future, it seemed that the process of reconstruction had at last begun. During the quarter under review, that agreement has virtually broken down. The story falls into two periods, divided by the New South Wales elections on October 25.

The States and the Melbourne Agreement

The Premiers went back to their State Parliaments and (except in New South Wales which was on the eve of a general election) proceeded to open budgets in accordance with their pledge. Balance was provided for by the two obvious means, curtailment of expenditure and increases in taxation, more or less of either according to the circumstances of each State, but chiefly by increased taxation. Special taxation of practically all salaries and wages to provide funds for relief works for the unemployed formed an ingredient in all the budgets. The principal bone of contention in most States was a proposal to economise by reducing the salaries of civil servants of all grades. A proposal of this sort had become law in New South Wales before the Melbourne agreement. In the other States it has been adopted since, though not without some incidents that assort ill with the traditional practice of responsible government. In Victoria, for instance, Mr. Hogan had to choose between amending his budget proposals and defeat

* THE ROUND TABLE, No. 81, December 1930, p. 195.

Australian Finance : The Narrow Way

in the House, and, after hasty and undignified negotiations with the public servants association, chose to amend the budget. He was thereupon taken to task by the Victorian section of the Australian Labour party for his failure to adhere to the Labour principle that the standard of wages should not under any circumstances be reduced, and that the whole burden should be borne by "Big Money." Dictation of policy by extra-parliamentary bodies is always vociferous under Labour governments in Australia, and it has been especially importunate, as will be seen presently, in the Federal sphere in the period under review. Both Mr. Hill in South Australia and Mr. Hogan in Victoria, however, have felt their position strong enough for a considerable measure of defiance. The Labour movement outside Parliament has felt disinclined at present to force a Labour Government to resign with the certain consequence of opening the way for a Government whose financial measures would be far less palatable to Labour supporters.

The Federal Ministry

We should now turn to trace the fortunes of the Melbourne agreement in the Commonwealth and in New South Wales, which have been closely connected throughout. The Scullin Ministry entered into the general undertakings in Melbourne only at the last moment and under united pressure from the States; and no sooner had the agreement been signed than it became clear that the Cabinet itself contained a strong minority anxious to tear it up; that, even if the members of the Cabinet did succeed in composing their differences and presenting a united front in support of the agreement, there would be great difficulty in persuading the caucus (the party meeting) to accept it, because New South Wales members were very influential in the caucus, and the Australian Labour party in New South Wales had declared itself promptly against the Melbourne resolutions; it was clear also, from the falling customs revenue, that if the Commonwealth were not to

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suffer a deficit of altogether staggering proportions, Parliament must meet to revise the budget. September passed. When four Federal Ministers began to assist Mr. Lang's electoral campaign in New South Wales, supporting a policy of no retrenchment and of "scrapping" the Melbourne agreement, the split between the Scullin section of the Cabinet led by Mr. Fenton, the acting Prime Minister, Mr. Lyons, the acting Treasurer, and Mr. Forde, the acting Minister for Customs, and the recalcitrant section, led by Mr. Anstey and Mr. Beasley, became patent. The senior Ministers hoped that Mr. Scullin would obtain in London a reduction of the interest rate on Australian war debt. The extremists secured the postponement of the inevitable session of Parliament until the end of October, when the voice of the people should have been heard in New South Wales. October passed too, with a deficit mounting steadily at the rate of £30,000 per day. The press in the capitals, irritated by Mr. Fenton's unimpressive optimism as much as by the Cabinet's inaction, began to remind its readers of Nero, and to speak of the "Federal fiddler." Mr. Fenton's four colleagues roamed New South Wales unchecked, stirring up public opinion against the Melbourne agreement and the policy to which their Government was pledged. It is the caucus which elects Labour Ministers in Australia; the Prime Minister's function is to allocate portfolios; the members of the Cabinet therefore owe their real allegiance to the caucus; and it is this of course which makes such open dissensions possible between members of a Labour Ministry. Which section of the party would be victorious seemed to depend on the result of the New South Wales polls on October 25. It appeared to be true that, as Mr. Bavin said in his policy speech, "There is more involved in this election than the fate of this Government. If the agreement is rejected by New South Wales, it falls to the ground. Hence the battle we are fighting in this State is the battle of Australia."

Australian Finance : The Narrow Way

The New South Wales Election

A few months ago, as the election approached, critical observers rated as slight Mr. Bavin's chances of being returned with a majority. His Government's determined handling of the coal dispute* still rankled in the mining districts. Moreover, his very campaign for sound government seemed to mark him out for downfall. He had taken the lead in urging retrenchment in the Australian Loan Council earlier in the year, and he had, regardless of political risks, courageously carried out a policy of economy in his own State. He had, for instance, restored the 48 hour week in industry, reduced the salaries of civil servants, imposed an unemployment relief tax of 3d. in the pound on wages over 30s. and on all other income, and effected economies in widows' pensions and in child endowment. At the moment, however, when the decision was taken to go to the country without opening a budget in the last few weeks of the Parliament's life, there seemed to be fair prospects of Mr. Bavin's being able to fight the election under very favourable omens, with "no repudiation" as a slogan. A joint committee of the Sydney Trades and Labour Council and the Australian Labour party executive had recommended at the end of August that the Australian Labour party should instruct New South Wales Labour members, State and Federal, "to break at once with the Nationalist financial gang, whose sole object is to break down the wages, hours, and working conditions of the trade unionists of Australia." The policy favoured by the committee was to repudiate war debts, declare a five year moratorium for interest payable abroad on Government loans, and "mobilise the credit of the community" to provide for the unemployed. Without either accepting or rejecting this programme, the Australian Labour party "instructed the Federal Government to repudiate the Melbourne agreement." It seemed as

* THE ROUND TABLE, No. 79, June 1930, pp. 629-633.

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though fortune had delivered the Opposition into the Government's hands.

Mr. Bavin's policy speech was remarkable for its stark candour and courage. He made no promises, except to carry out the Melbourne agreement, as "the only possible road of escape from national bankruptcy." He spared no emphasis in depicting the gravity of the position: "calamity-howlers" the Labour press called him and his colleagues. He asked for "a free hand to do whatever may be necessary to meet the situation." It was not at all the kind of programme that Australian voters (like others in other democracies) have unfortunately grown accustomed to expect from political parties. The Melbourne agreement and no repudiation; otherwise, as supporters and opponents alike remarked, an appeal for a blank cheque. With characteristic adroitness Mr. Lang, in his policy speech, turned Mr. Bavin's slogan against him, and went on to evade or ignore every one of the real difficulties of the situation. Certainly, he said, no repudiation—but no repudiation of any kind. No repudiation of debts to the bondholders, but no repudiation of obligations to the wage-earners either. Of this latter kind of "repudiation" Mr. Lang denounced Mr. Bavin as the arch-exponent—some examples of what he referred to have already been given. The argument that these things had been necessary because of the economic depression was "a political trick." It was all a conspiracy "to introduce into Australia the . . . policy of lower wages and a gipsy standard of living," so as to secure "London Shylocks" the interest on a vast war debt incurred solely on England's behalf. One step in this conspiracy was the Melbourne agreement, dictated to the Governments by Sir Otto Niemeyer, who had come (in the *Labour Daily's* phrase) as "the bailiff of London Jewry." Thus Mr. Lang sought, by playing upon ignorance and prejudice, to dispose of the agreement by involving it in obloquy. In this misrepresentation of Sir Otto Niemeyer's visit, Mr. Lang was supported by

Australian Finance : The Narrow Way

certain Commonwealth Ministers (who must have known the truth) and by Mr. W. M. Hughes (who ought to have known it). In his statements to the Melbourne conference—made public by the conference itself—Sir Otto may perhaps have made too small an allowance for the difference between the temper of the European countries which he had advised and the temper of an advanced parliamentary democracy, out of touch with world events and youthfully hypersensitive to any criticism of its fetishes. But it is difficult to write with restraint either of those Federal Ministers who led the campaign of misrepresentation in New South Wales, or of those who for the sake of party advantage failed to publish the truth. Publication, however, might have done little good. Where so many persons base their opinions on hearsay, a calumny travels further than a correction. After the election, Sir Otto Niemeyer himself stated the facts leading up to his visit—a dignified rebuke for the lack of elementary fair play which had been evinced.

Having thus disposed of repudiation, Mr. Bavin, and the Melbourne agreement, Mr. Lang went on to outline his own policy. It glittered with promises. He would restore civil service and railway salaries and wages and the 44 hour week. He would absorb the unemployed in new public works, such as waterworks, wheat silos, roads; find wonderful markets for primary produce; create a State transport monopoly to rehabilitate the railways. Everybody would have plenty of work and plenty of money. All talk of depression would cease. These promises would certainly be costly—£200 million was one rather unkind estimate from opponents. But New South Wales was bursting with unsold wheat and wool, and any shortage Mr. Lang would make up by borrowing. True, New South Wales had become a member of the Australian Loan Council, and was pledged, by an agreement that seemed to be alterable only by the unanimous consent of the seven Australian Governments, not to borrow

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except by consent of the Council, whose recent resolutions were plainly incompatible with Mr. Lang's policy. When challenged, Mr. Lang was too adroit to condescend to particulars. He would borrow, he said, if not from "the money-choked markets of England and America," then from "our own people, who are capable and willing to supply all our needs." "I will find the money as I found it in 1927."

The ultimate issue in the election can be simply stated in terms of two slogans: "For brighter times change the Government," said Mr. Lang. "Borrow and boom means sorrow and doom," said Mr. Bavin. Unequivocally, the people changed the Government. A Nationalist-Country party majority of six became a Labour majority of twenty, the state of parties in the last Parliament and in the new being:

	1927.	1930.
Nationalists	35	23
Country party	13	12
Labour party	40	55
Independent Labour	2	—

The percentage of voters who recorded valid votes was 91 as against 83 in 1927. (Voting was for the first time compulsory in 1930). The salient features of the voting were a decline in Nationalist votes from 460,000 to 410,000, an increase in the Labour vote of nearly 200,000—from 524,000 to 717,000—and the complete failure of Mr. Hughes's Australian party and of the Communists. Neither gained a seat. Some 26,000 votes were cast for the former, and 9,500 for the latter.

Mr. Bavin has thus added a sixth to the list of successive Australian Governments which have gone to the polls since the hard times began, and been defeated. It is doubtful whether any other factor need be adduced in explanation of the result than resentment against a Government which was engaged in a policy of retrenchment. Certainly one would scarcely be justified in assuming that

Economic and General

to the amount of £700,000. The registered number of unemployed in the Free State is only about 20,000, as compared with 70,000 in Northern Ireland.

Side by side with the improvement in economic conditions one must chronicle a general return to peaceful conditions throughout the country. The recent shooting incidents in Dublin, when Mr. Cosgrave's private motor car was fired on, on a country road, while occupied only by the driver, and a sergeant on escort duty at the house of Mr. Hayes, the Speaker of the Dail, was also fired on by two men whom he accosted, whilst they prove that there are still blackguards in the country, need not be taken too seriously. As a matter of fact, whereas the strength of the old Royal Irish Constabulary in the Free State area was 7,859, the Civic Guard, which has replaced them, numbers only 5,600. In other words, the semi-military force of pre-treaty days has been replaced by an unarmed police force the strength of which is 29 per cent. less. The number of police stations has also decreased by 33 per cent. without any apparent loss of efficiency. It is believed that, as the people come to realise their full responsibilities, further economies will be possible in this direction.

An interesting return recently issued by the Ministry for Industry and Commerce shows the results, as regards employment, of the tariffs imposed since the Free State was set up. The return, which gives the number of persons employed in each protected industry on the date of the imposition of the tariff and on March 1, 1930, shows that substantial increase of employment has taken place in certain industries, the most important being: tobacco, 1,886 persons; boots and shoes, 1,151; sugar confectionery, 5,519; shirtmaking, 1,818; hosiery, 3,332; clothing, 3,541; furniture, 1,559; and woollens, 1,883. The total increase in protected industries is 12,958. The position of the Government as regards tariffs is that it is prepared to impose protective measures against the free importation of any commodity, provided adequate investigation reveals that the

Ireland : Events in the Free State

commodity may be economically produced here and that no unnecessary permanent burden will fall on the consumer as the result of such a tariff. In short, its policy is directed to an economic position in which agriculture will be balanced by suitable manufacturing industry. The result of the existing tariffs has been in most cases to reduce the imports of the protected article as far as value is concerned, but not always in amount. Exceptions to this are hosiery, probably due to the ladies' demand for silk stockings, both real and artificial, and general clothing. Men's clothing, which is little affected by fashion and outside influence, shows a considerable decrease in imports.

The first sweepstake* organised under statutory sanction in aid of our public hospitals proved, as was anticipated, a triumphant success. Carried out in the Round Room of the Dublin Mansion House under every circumstance of publicity and guarantee of good faith, the total proceeds were over £650,000, out of which the hospitals received approximately £132,000. A last minute advertisement of the most valuable kind was provided by the action of the English Post Office in holding up all letters addressed to the promoters, on legal grounds. The only effect of this ban was to divert subscriptions into indirect channels, and they came in increasing numbers through Dublin banks, stock-brokers and business houses. The drawer of the winning horse received over £204,000. Already two new sweeps are being organised, one for the Grand National and the other for the Derby. Mr. Fitzgerald Kenney, the Minister for Justice, has wisely refused to countenance the promotion of rival sweepstakes, and future arrangements will ensure that a larger proportion of the proceeds will go to the hospitals. Granted that betting will go on, legally or illegally, it cannot be said that sweepstakes of this type are the worst of its manifestations, and they at least serve some useful purpose.

* See THE ROUND TABLE, No. 80, September 1930, p. 835.

Economic and General

The Drumm electric battery* is now to be put to a prolonged practical test, and the Dail has voted a sum of £25,000 for this purpose. Two double railway coaches, each capable of seating about 100 passengers, are being constructed for use on the suburban line between Dublin and Greystones, and will probably be in operation next summer. The use of these coaches will decide the question of the life of this battery, and if this is settled satisfactorily, we can confidently claim that it is a discovery of first class importance, which no other country has yet achieved. The Dail debate disclosed that the invention consists of an alkaline storage battery based upon a negative plate which consists of zinc plated out of liquid electrolyte, but that no patent has yet been granted.

Our various censorship activities continue unabated, and Mr. Fitzgerald Kenney, Minister for Justice, has recently complained that the elimination of the power given by the original Bill to authorised religious associations to recommend books for censorship was unsatisfactory, as apparently the general public have not cared to act as literary detectives for the Censorship Board. As regards periodicals, he claims that the Act has worked extremely well, and that the periodicals censored have mended their ways. Our other department of censorship, that concerning films, which is far more necessary, has recently been mercifully extended to cover the activities of the "talkies," but even in this respect some of our pious periodicals are not completely satisfied, and Mr. Montgomery, our courteous and efficient film censor, is credibly reported to have said that he finds himself "between the devil and the Holy See," a *bon mot* both amusing and accurate. His annual report for 1930, just published, discloses that he censored over 6,000,000 feet of film in the year, and that sound films have been censored since June last. There were 64 appeals to the Appeals Board against his decisions, in 36 of which he was

* See THE ROUND TABLE, No. 76, September 1929, p. 834, and No. 81, December 1930, p. 160.

Ireland : Events in the Free State

upheld, in 15 partially upheld, and reversed in 13. Long and short films of drama and variety made up more than two-thirds of the total length of film dealt with, but it is satisfactory to note that topical and interest films as compared with the previous year have increased by nearly 50 per cent.

No chronicler of Irish events during recent years can fail to record his sense of the national loss which we have suffered through the untimely death of Mr. John Hooper, the Director of Free State Statistics.* His work in organising, simplifying and amplifying our national facts was for him a labour of love carried out with unostentatious zeal in spite of bad health and many other difficulties. The results achieved during the last few years under his direction have contributed enormously to the accurate information of our politicians and publicists, and few public servants have deserved so well of their country. Two other deaths must be noted as a national loss in the artistic sphere. The one of Harry Clarke, an artist of delicate distinction and charm, whose work was reminiscent of Beardsley at his best, but who will be better remembered for his wonderful stained glass, which was of international renown; the other, Frank Fay, one of the little band of enthusiastic actors who assisted to found the Abbey Theatre, and remained one of its principal performers down to 1908. All three names will take a foremost place in the records of the Irish renaissance.

The Irish Free State.

February 1931.

* See THE ROUND TABLE, No. 71, June 1928, p. 602.

CANADA

I. WHEAT

THE economic position in Canada at the beginning of 1931 is difficult to gauge. Like all the rest of the world Canada has suffered in the slump, but, on the other hand, it has been constantly pointed out by our business leaders that we have not suffered nearly as much as most of the rest of the world ; and there is a widespread inclination, based perhaps rather on hope than on any very logical reasoning, to believe that we are on the verge of improvement.

The President of the Royal Bank, Sir Herbert Holt, pointed out in his recent annual address that in spite of the decline in the price of basic products "the activity of industry . . . has not been as seriously affected as have the industries of most other countries." Sir Herbert expressed the opinion that the tariff increases made by the new Conservative Government last September had helped industry substantially, and he evidently feels that, if necessary, further doses of the same medicine can be applied with beneficial results. "As high tariffs of other countries and other special conditions may react to reduce Canadian exports," he said, "there must be corresponding measures on our part to discourage imports and to encourage a proportionate increase in the quantity and variety of our home production."

Not everyone believes that the cure is as simple as this. Increasing the tariff will inevitably tend to lessen purchasing from abroad ; but the advantage accruing to Canadian manufacturers from securing a larger share of

Canada

the home market has to be discounted by the fact that the purchasing power of the home market has been seriously reduced, especially in western Canada, which is an unerring barometer of Canadian economic conditions. The rest of the country runs along on a more or less even keel, but the West is subject to substantial fluctuations and it is good or bad times in the West which really determine whether the Dominion has or has not that bit of extra volume which gives industry a profit, and the absence of which results in loss.

Those who are most familiar with conditions in western Canada are not pitching their hopes too high. They point out that the manufacturing industries in the East have not yet felt the full result of the drying up of buying power in the West; that, whereas in the autumn of 1929 farmers belonging to the Pool received \$1.00 on account for their wheat and many of those outside the Pool substantially more, in 1930, on the other hand, very much lower prices prevailed; and that the full effect of this lessened buying power will only make itself felt during 1931. Many who know the West rather anticipate therefore that, unless unexpected developments occur elsewhere—for example, a sudden improvement in Canada's other basic industries, notably wood products and mining—1931 may be a worse year for the manufacturer than 1930.

While nearly all our basic industries—gold mining is a happy exception—have been adversely affected, the most serious shrinkage is in the value of field crops—especially wheat, the great cash crop. The approximate value of minerals produced in 1930 was \$276,865,000 as against \$310,850,000 in 1929, and the value of newsprint approximately \$124,982,000 as against \$136,441,000, while the value of wheat exported for the crop year ending July 31, 1930, was \$188,289,000 as against \$387,491,000 in 1929. Worst of all, the increasing keenness of foreign competition, particularly from Russia, has raised anxious doubts as to the future of the wheat industry on which our whole

Wheat

western country directly and the east only slightly less directly, are dependent. It will therefore not be out of place to consider the position of the wheat industry somewhat more in detail.

When in the month of June, 1930, wheat dipped below a dollar a bushel for the first time in six years, it was felt throughout Canada that an event of national importance had happened. We had come to regard ourselves as *par excellence* the premier wheat-growing nation, leading the world not only in quantity, but even more in quality, and the attempt had even been made to attach a certain imperialistic romance to Canadian wheat-growing by calling Canada "the granary of Empire." Few people had ever conceived it possible that the time might come when Canadian wheat would be a drug on the market. It is true that in the welter of European economic difficulties immediately after the war, particularly when currency problems were most acute, some fears had been entertained as to Europe's capacity to buy; but the four or five good years preceding 1929 had quite silenced any such doubts, and the result was that the situation of 1929 found us unprepared and incredulous.

Moreover, even those who were caught "long" and lost severely in the weak market in the winter of 1929-30, and who found that the two-dollar wheat which they had anticipated was actually selling below a dollar, would have believed in the end of the world more readily than in fifty-cent wheat. Dollar wheat itself seemed almost contrary to nature. So confident of this were the western provinces of Canada—Manitoba, Saskatchewan and Alberta—that in February, 1930, they joined in a guarantee so as to enable the banks to continue advancing money on the crop.

In August the price which had gone down to 90½ cents suddenly reacted 10 cents, to \$1.00¾, owing to reports which proved exaggerated, of the disaster to the United States corn crop, and for a short time it looked as if a definite reversal of the downward trend had come. Re-

Canada

sponsible authorities were quick to point out that the anticipated surplus was evidently exaggerated and that the shortage of corn would be quite sufficient to counter-balance any excess there might be of wheat.

The rise was short-lived. The decline was resumed in August, and from that time until December the price gradually sank till it reached the low level of 50½ cents on December 26. Various influences combined to make a buyer's market. In the first place, the northern hemisphere had a good crop of high-grade wheat, and reports were that exporting countries in the southern hemisphere—Australia and the Argentine—also had promise of a good crop. In the second place, the constant publicity given to the difficulties of marketing Canadian wheat, the fact that the position of the Pool was continually "front-page news," visits of Pool representatives to Europe in the winter of 1930, and again in the autumn in Mr. Bennett's entourage, were in effect taken as signals of distress, making the buyer feel that every day he put off buying was to his advantage.

This situation continued until December 1930, when the Prime Minister returned from the Imperial Conference and, according to press reports, an arrangement was made to guarantee the banks against any losses sustained in the event of the price going below 50 cents. Since then the price has somewhat improved, and the view is held in many quarters that if this action of the Government could have been taken some little time earlier, the price would probably have become stabilised substantially above the present level. The Government has allowed it to be known that there is to be what is described as "orderly marketing" of the balance of the crop of 1930. The difference between "orderly marketing" and attempts to control prices is not always easy to discern; but with the multitude of "bear" influences which have been affecting the market it is generally considered that Mr. Bennett was wise in taking the step which he did early in December.

Wheat

Meanwhile a part of the 1929 crop is still unsold, and the three western provinces must make good their guarantee of February last to the banks. Unless the Dominion Government intervenes to protect them, they will face a staggering loss, estimated at substantially more than twenty million dollars.

To a very considerable extent the distress in which Canada finds herself is due to world-wide conditions, but there is no doubt that during the year 1929 and part of 1930 serious errors of judgment were made by those responsible for conducting the export trade in wheat. It would be most unfair to suggest that these mistakes were confined to the Pool, but there is no doubt that the Pool was in part responsible for the situation.

It is not generally realised that in each of the three prairie provinces, Alberta, Saskatchewan and Manitoba, there is a pool, and that the Canadian Co-operative Wheat Producers, which is commonly referred to as "the Pool," is technically merely a selling agent for the three provincial pools. The provincial pools buy wheat directly from the farmer and store it in their own elevators. They in turn employ the selling "Pool" to sell this wheat. It is this agent which is in the public eye. There is no doubt that the provincial pools did supply a want which the farmer had keenly felt. He had previously complained, and often with justice, that the elevator was not treating him fairly with respect either to quantity or grade. The provincial pools went far to remove such grievances.

The justification for the selling Pool is not so obvious. It owed its origin to a rooted feeling on the part of the Canadian farmer that by selling his wheat in the autumn he inevitably had to take a lower price than if he could hold till spring; and also to a strong desire to be his own selling agent. Its history, too, has been unfortunate—its payments have gone down year after year. In the years 1924-25 payments to members totalled \$1.66 per bushel; in 1925-26, \$1.48; 1926-27 and 1927-28, \$1.42; 1928-29,

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\$1.18; 1929-30, \$1.00, which latter, as events have proved, was an overpayment. The initial payment in the case of the 1930 crop was 60 cents, later reduced to 50 cents. In very large measure this decline of price is, of course, due to world conditions, but there are two respects in which the existence of the Pool appears undoubtedly to have operated to the disadvantage of the wheat grower. The first is a difficulty apparently inherent in the whole Pool system—namely, the principle of an initial payment below the market price. This appears to have a depressing effect on the price. Some people go so far as to say that inevitably the price of wheat comes down to the Pool's initial payment, and certainly the history of the last few months appears on the face of it to give support to this view. Those who argue thus maintain that the fact that the initial price is merely an instalment of the final price is ignored by most people, and that even if it were not ignored it is regarded as evidence that the initial payment was the highest price which the Pool felt it safe to pay, and therefore was, in effect, their estimate of the true price. However exaggerated it may be to say that wheat will fall to the Pool's initial price, it can well be believed that the fact that the initial payment is below the market tends to depress the market.

The second charge laid at the door of the Pool is one for which they must accept full responsibility. In the early years of the Pool they made use of the selling agencies in Britain and elsewhere which for many years had marketed the Canadian wheat. In the year 1929, however, the managers of the Pool evidently came to the conclusion that they could save the middle-man's commission by selling directly themselves, and the long-established agencies were notified that their services were no longer required. The effect of this was simple and instantaneous. It turned Canada's former agents into competitors, and competitors who knew the business thoroughly, who had been in it in some cases for generations and who were able to divert a

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great deal of the trade formerly enjoyed by Canada to others.*

So much for the present troubles in the wheat industry—their history and causes. Now what are the remedies? It was inevitable that in a situation of this kind ill-considered things should be said and doubtful remedies suggested—to make a huge loan to China to enable her to become a large purchaser of wheat; to threaten the French with the loss of certain privileges in our markets unless they buy more wheat from us; to seek preferences in England in return for similar concessions; to cut down the wheat-growing area; to set up marketing boards.

On examination these sudden and dramatic remedies seem illusory. We are warned not to indulge in extravagant expectations of sales in the Orient by Sir John Aird, who spent some time there in 1929 and 1930. Speaking at the recent annual meeting of the Canadian Bank of Commerce, he said:

I believe that Manchuria and northern China will become the major sources of supply of foreign wheat and other foods for Japan and adjacent countries of the Orient. . . . I am of the conviction that western Canada will find that the oriental market for its products will be largely curtailed, and that our western agriculturist should consider immediately the question of diversified farming.

Purchases by the French turn out to be a few million bushels only—a very small affair. Preference from England seems at least as remote as it was before the Imperial Conference. As for cutting down wheat acreage, those who know the West most intimately point out that, however desirable such an object may be, time will be required to shift over from wheat to mixed farming. Further, even those who believe that more hogs and cattle should be raised in Canada point out that this does not of necessity imply a decrease in the amount of wheat and other cereals but only a change in their use. Special marketing boards are regarded with great doubt or even dismay by those most expert in the matter of buying and selling. They

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feel that no human agency, whether an individual only or a group, has sufficient wisdom to buy or sell primary products such as wheat on a large scale, since its judgment cannot be compared with that of competitors, as is the case in ordinary business. Supporters of this view point to the failure of similar attempts in the past.

The more one reflects on the problem the more clearly it appears that the solution will be found, not in any new cure, but by the long established and well known remedies of cheaper production and greater efficiency in marketing. Cheaper production will have the dual effect of expanding the market for wheat on the one hand and, on the other, of turning back to other uses land which was sown with wheat only because of high post-war prices. Cheaper production will come in two ways : by the increase of efficiency in the growing of wheat itself, and by the lessening of overhead expense through production on the farm of as many as possible of the farmer's wants. When wheat prices are high the western farmer often grows little or nothing for his own table. He may even buy his bread and milk as well as vegetables. He will often buy all his fuel. He will use machines with oil fuel instead of raising the fuel for motive power, in the shape of fodder, on his farm. The present low prices are changing all this. Evidence is abundant that as rapidly as possible expenses are being reduced. Wood is being cut for fuel where formerly nothing but purchased coal was used. Hogs and cattle are being bought to the end that farming may be diversified.

The spirit of the western farmer in meeting his difficulties is beyond praise. Murmurs there will be and talk of secession, but most of the farmers are not talking but working. The western farmer is again "scratching gravel." Men who know the West report that, while the first shock of surprise and consternation made men angry and anxious to find a scapegoat elsewhere, that mood has now gone and men are courageously facing the future in the light of present conditions. Ten years ago when things became diffi-

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cult eyes were turned south and there was a good deal of movement "across the line" to the United States. Conditions in the United States do not tempt anyone to do that now.

What of Russian competition with the western wheat grower? The question is of course in every mind. All "information" as to Russia is of necessity derived in the main from Russian official sources, for no one can observe at first hand more than a small fraction of a hundred and fifty million people. In the end, therefore, one is largely thrown back on broad general considerations affecting the situation as a whole. We have, for instance, in Canada far superior equipment—local and terminal elevators, railways, steamships, etc. We have a free, self-reliant, vigorous people who, given anything like equal conditions, should be able to hold their own against all competitors. The fear is of course that the conditions will, at least for the next few years, not be equal, in other words, that Russian wheat for export will be the product of forced labour with a minimum standard of living, and that such competition will seriously depress the standard of living, if indeed it does not make any large-scale production of wheat for export economically impossible, in a free labour, high living standard country like Canada.

But while this danger is realised, and in any event an indefinite period of low prices is accepted as inevitable, the general feeling, as has been pointed out, is one of confidence that with hard work and more economical production, there is a good future for wheat-growing in western Canada.

II. THE BALANCE OF TRADE

IN the past two years Canada's exports have declined by nearly \$500 million. In 1928 they were \$1,374 million; in 1930 they will hardly exceed \$900 million. Imports in 1928 were \$1,222 million; for 1930 the figure will be about

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\$1,025 million. This means that a "favourable" balance of more than \$150 million has been unexpectedly converted into an "unfavourable" balance of \$125 million. Unfavourable trade balances were familiar occurrences to an earlier economic generation. From 1902 to 1914 they were always with us and we prospered exceedingly. But since 1915 we have grown accustomed to large favourable balances, rarely less than \$200 million a year, and at times over \$400 million, and the sharp reversal of this balance has required some drastic rearrangements in our balance of international payments. Under the circumstances how has Canada met her current international obligations ?

A year ago it could be said that the fall in exports was due solely to our failure to market our wheat, but sweeping declines in nearly all classes of export are now apparent.* Grains and grain products have, as generally supposed, experienced the most severe decline, but meat and dairy products have been almost equally affected. Production of both cheese and butter has decreased fairly steadily for the past six or eight years ; the number of cattle on Canadian farms is no greater than ten years ago, and smaller than five years ago ; efficiency in production and marketing has received comparatively little attention, and Canada is now far behind her chief competitors in these respects. The higher profits in grain had led many farmers to neglect the advantages of mixed farming. The decrease in the number of cattle is most marked in the prairie provinces. Moreover, the recent changes in the United States tariff have seriously affected this class of exports. In 1928 exports to the United States totalled \$56 million and in 1930 only \$19 million.

Lumber exports have declined about in proportion to the general decline in business in the United States ; but pulp and paper somewhat less than conditions in the export markets would seem to warrant. This is due in part to some American companies closing down their high-cost

* See Table I in the Appendix.

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mills in the United States, and drawing more on their low-cost Canadian mills. The increase in non-ferrous metal exports is an indication of the remarkable development in the production of the precious and base metals in the last two or three years. The figure of \$119 million is, however, \$25 million below the 1929 total.

Exports of manufactures, other than those based directly on natural resources, show smaller but still substantial declines most of which are due to the curtailment of the export of motor-cars and farm implements. A large part of the decrease in exports is of course due to falling prices. A rough calculation shows that the prices of our principal exports in 1930 was, on an average, about 16 per cent. below those of 1928. Thus about half the shrinkage is due to lower prices, and about half to lower volume.

Imports have declined less than exports, the decrease being 15 per cent. as against 32 per cent., and about one-half or two-thirds of this decline is probably due to lower prices.* Imports primarily for the consumer declined 12 per cent., and imports of manufacturers' raw materials about the same. Imports of machinery and capital goods show a much heavier fall of 30 per cent.

The proportion of Canada's external trade to her internal trade is unusually high. About one-quarter of all our production is for the export market. Our economic system, therefore, is especially sensitive to changes in the general structure of world prices. From 1924 to 1929 we were particularly fortunate in this respect. Our staple exports held to a relatively high price level, while the prices of our principal imports moved steadily downward. In other words, the purchasing power of our exports was steadily increasing.† No small part of our recent prosperity was

* For recent changes see the Appendix, Table II.

† The following is an index of the purchasing power of our exports, obtained by dividing an index of import prices into an index of export prices (1913=100):—

1922	1923	1924	1925	1926	1927	1928	1929	1930
102.1	92.7	98.4	108.7	111.6	113.3	108.1	111.7	101.5

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due to this fortunate price situation, and much of our present trouble is directly due to its sudden change.

The prosperity of 1924 to 1929 was built on wheat at \$1.50. In recent months wheat, as we have seen, has sold down to fifty cents. While that is clearly an uneconomic price, we must face the probability that \$1.00 will become a good average price during the next few years. Can we maintain our former prosperity on "dollar wheat"? Undoubtedly, some of the less advantageously situated farmers cannot produce at \$1.00. But with greater mechanisation, more diversified production, careful seed selection, proper soil cultivation and strict attention to all other costs, dollar wheat can become a large and profitable crop in the West. Canadian wheat is of unsurpassed quality, and Canadian costs are lower than those of most competitors. The price of wheat must eventually be stabilised at about the marginal cost of production, and at that price, whatever it may be, efficient Canadian farmers can make profits.

Newsprint and base metals, again, are industries in which the price situation is often disturbed. Much extravagant expansion occurred during the recent "boom," and some of these new ventures are now in difficulties. But here again the natural advantages are very great, and, given stability in financial organisation and a high degree of technical efficiency, there is little to fear.

When the world price structure regains its normal stability we shall probably find that Canada will be somewhat less favourably situated than before, but once the short period of readjustment is past, the ultimate benefits of lower costs and higher efficiency will tell.

The market problem is closely related to that of prices, and it is no less acute. One side of this problem, fluctuating purchasing power abroad, is almost entirely beyond our control. Another side of the problem is the tariff situation, and this is only partly within our own control. Canada would benefit more than most countries from a general

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Commission,* which is a civil service body independent of the Government. The Appointments Commission recommends the successful candidate to the local body concerned, which has no option to refuse the selection. This system, in some ways the most revolutionary change made by the present Government, has completely destroyed the old methods of appointment by family influence or corruption. It is rapidly giving us an efficient and highly qualified local administrative service. In the Mayo case Miss Dunbar-Harrison, a Protestant graduate of Trinity College, who had also taken out a special course of library training in the National University, and obtained experience as an assistant librarian in Dublin, was unanimously selected to fill one of five vacancies by a selection board consisting of a university professor and three librarians of much experience, all Catholics. Their selection was endorsed by the Appointments Commission and the recommendation duly made to the Mayo library committee for endorsement. This body objected to the lady on two grounds, namely, that as a Protestant she was not a suitable person to supervise the reading of a population which is ninety-nine per cent. Catholic, and also that in an Irish-speaking area she, being without qualifications in Irish, could not be expected adequately to discharge the duties of librarian. As regards the first objection, it need only be said that all books placed on the public library shelves have to be first approved by the library committee, which contains here, and elsewhere in Ireland, several Catholic priests, and that in addition to this safeguard we have a censorship of objectionable literature. As regards the second objection, Miss Harrison was the best qualified applicant for the post, and is entitled by law to three years in which to qualify in Irish. It may be added that several of the most competent librarians in the Free State are Protestants, and no complaint has ever been made

* See THE ROUND TABLE, No. 64, September 1926, p. 820; No. 69, December 1927, p. 152; and No. 72, September 1928, p. 821.

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as to their conduct. Moreover, as Mr. de Valera has very cogently pointed out, if the public libraries are to be treated as a means of denominational education, then we must have libraries, as we already have schools, for each denomination. The Mayo County Council having supported the library committee, Mr. R. Mulcahy, Minister for Local Government, acting in accordance with his legal powers, held a local inquiry, suspended the County Council, and appointed a Commissioner to discharge its duties, who has, of course, appointed Miss Harrison to the position to which she is justly and legally entitled. It may be pointed out that in so acting he was not only obeying the Free State Constitution, but following the teaching of every Irish Nationalist thinker from Davis to Griffith. Davis indeed expressed it in verse when he wrote :

“ So start not, Irish-born man,
If you're to Ireland true,
We heed not race, nor creed, nor clan,
We've hearts and hands for you.”

It must be said to the credit of Fianna Fail that, as a party, it has refused to identify itself with the hysterical and entirely dishonest protests of the self-styled Catholic press. The Chief Justice, Mr. Hugh Kennedy, K.C., in a remarkable and courageous speech at the National University Literary Society, reminded his audience that we stood as an example of what a Catholic democracy might be expected to be, and that after the bloodshed and struggle we had endured to upset the old ascendancy and tyranny we were not going to replace them by setting up another tyranny. That was not the character of our people, nor the teaching of our Church. Such sentiments, widely held by educated Irish Catholics, are a better safeguard for Protestants in the Free State than any appeal to the justice of an impotent foreign court.

The Government have shown equal firmness in dealing

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with the recent attempt by a small group of officers to cause trouble in the army over the National Defence Association. This association, consisting of serving and retired army officers, was formed under official approval in August 1929, with the following objects : the development of the highest standard of service among the army officers, the cultivation, on the part of the public, of an appreciation of the problem of national defence, and the preservation of the welfare and comfort of the officers and their families. The control and management of *An t-Oglach*, the army journal, was vested in the new association. Unfortunately those responsible for the policy of this journal allowed it to become critical of army administration in a manner which was subversive of discipline, and in October Mr. Desmond Fitzgerald, Minister for Defence, intimated that the Defence Association was no longer approved of. This decision necessitated the retirement from it of all serving regular officers, whereupon certain reserve officers, whose principal spokesman was General Sean MacEoin, T.D., issued a statement on October 22 challenging the Minister's action. This statement was first handed to Mr. Cosgrave and then to the press, but it was not published in the Irish papers. Its principal criticisms were that the Government had no considered policy which could give the taxpayer an adequate return for the £14 millions spent on defence since 1924 ; that, while the existing force is well disciplined and trained in an elementary fashion, its organisation and the system upon which it is administered are so defective that it is doubtful whether it is capable of acting in any circumstances as a useful instrument of national defence ; that officers have been victimised ; and that the general administration has been calculated to promote serious discontent and demoralisation among the personnel. It is believed that General MacEoin and his associates were actuated by a desire to secure the resignation of Mr. Fitzgerald, who, owing to his administrative economies

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and lack of sympathy with military mentality, is not very popular with the army. General MacEoin himself, who had military greatness accidentally thrust upon him by an incident during the Anglo-Irish guerilla warfare, and parliamentary honours by the political necessities of the Government,* was merely a mouthpiece for more ambitious and abler men. The Government did not waste time in dealing with the matter. General MacEoin had to resign his commission, and his principal supporter amongst the reserve officers, Colonel T. FitzPatrick, had his commission withdrawn, whilst certain serving officers closely identified with the movement would have suffered a similar fate had they not eaten the leek. The National Defence Association itself, at a specially summoned meeting, decided unanimously to terminate its existence. Thus ended an incident which at one time appeared to be full of serious possibilities.

The Fianna Fail party, naturally, sought to exaggerate its importance during the County Dublin by-election in December, caused by the death of Major Bryan Cooper. The candidates in this contest were Mr. T. Finlay, K.C., a distinguished young barrister and a nephew of Father Tom Finlay, the well-known Jesuit economist, who was the Cumann na nGaedheal or Government party candidate, and Mr. Conor Maguire, B.L., another clever barrister, who represented Fianna Fail. In the result Mr. Finlay was elected, and the Government retained the seat by the handsome majority of 20,338 votes. It is pleasant to record that the election was fought in an exemplary fashion on both sides. The electorate is one of the most intelligent and best informed in Ireland, and the result proves that after eight years of office in a period of general economic depression Mr. Cosgrave's Government still retains public confidence.

The session of the Dail, which lasted from November 19

* See THE ROUND TABLE, No. 76, September 1929, p. 820.

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to December 11, and has now been adjourned to February 18, was largely of a practical nature. Bills were introduced dealing with the provision of meals for school children, the status of veterinary surgeons, the sale of eggs, sea fisheries, the new tariff commission, and land purchase regulation. The treaty for the limitation and reduction of naval armaments was also at last ratified. Our neglect of ratification was in fact responsible for seriously delaying the treaty becoming operative, but no doubt this apparent discourtesy was worth while if it satisfied Mr. de Valera as to our international status. The forthcoming session of the Dail will have to deal with several measures of considerable importance. Amongst others there will probably be Bills to implement the reports of the Town Tenants Commission of 1927, and the Intoxicating Liquor Commission of 1929, both long overdue, a Bill dealing with road traffic regulation, and a redistribution of seats Bill. This last measure is consequent on an Article of the Constitution which requires that the constituencies must be revised every ten years with special regard to increases or decreases of population in each area. The existing arrangements were made in 1923. Only in the city and county of Dublin has there been any increase in population. In thirteen other constituencies there has been a substantial decrease. The new Dail will consist approximately of 140 members, instead of 153 as at present. Whether this reduction will favour the Government or the Fianna Fail party remains to be seen, although as the former is strong in the Dublin area it should therefore benefit by the increase of members there. The present constitution of the Dail is as follows: Cumann na nGaedheal, 64; Fianna Fail, 55; Labour, 13; Independent, 11; Farmers, 6; National League, 2; Independent Republican, 1; Speaker, 1. The Independent Republican is Mr. Mullins, who has recently been expelled from the Fianna Fail party, a fate which, it may be added, might with justice be meted out to others of that per-

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suasion. It is also believed that the Government will introduce some measure to relieve agriculture, either by a scheme of partial derating, or a very substantial increase of the present agricultural grant. During the Dublin election Mr. Cosgrave stated that the Government were agreed that the farmer deserves and must receive every assistance which, having regard to our resources, can be given to him. The only question, he added, that remained was the form of assistance which would be of the greatest value to him and would, at the same time, render necessary the minimum imposition of burden on the rest of the community. Complete derating on English lines is generally accepted as out of the question, for it would cost at least £2·5 millions a year. The largest measure of assistance which can be expected would be about £1 million a year, and even this sum would mean heavy new taxes, probably on petrol, tea and sugar. The Commission on Derating* has not yet reported but is likely to do so very soon. Should derating be undertaken on a substantial scale the present system of local government will undoubtedly be altered in order to bring local finance under the control of the Local Government Department.

After the Imperial Conference the other Dominion Premiers took the opportunity to visit Dublin, and were received in the true tradition of Irish hospitality. The contacts established will reinforce the many links of friendship and kinship which already unite the Irish Free State to those offspring of our race, for we are, as much as Great Britain, a parent State in the Imperial Commonwealth. Although it is perhaps invidious to make selections, there can be little doubt that General Hertzog and Mr. Scullin were the most popular figures amongst our guests, the one because of his fight for national freedom in South Africa, and the other because of his Irish descent. The former warned us, as he has already warned his own people,

* See THE ROUND TABLE, No. 78, March 1930, p. 369.

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against the folly of throwing away national independence for a form of words. Mr. Cosgrave undoubtedly spoke for the Irish people when he declared in an eloquent address at the reception to Mr. Scullin that Irish policy, in the future as in the past, would be directed towards asserting the sovereignty inherent in our Statehood against every contrary influence, internal or external, and of rebuilding on the broad basis of nationality a worthy and self-respecting Irish State. But it must do more than this. It must, as Mr. Desmond Fitzgerald, Minister for Defence, recently reminded us at Cork in an admirable lay sermon on primary political principles, aim at setting up a State in which the mentality acquired during our opposition to a foreign Government is deliberately discarded, in which the title "rebel" will be no longer glorious, and support of law and order recognised as the first duty of every citizen. We have become anglicised, as Mr. Fitzgerald pointed out, not only by copying English habits, but by the characteristics resulting from English rule. Not the least objectionable of these characteristics is the silly Anglophobia, which Mr. Fitzgerald did not mention, which prevents us from thinking of England except with suspicion and hatred. This demon we must also exorcise if we wish to become a great people with a sense of international perspective.

II. ECONOMIC AND GENERAL

THE annual report of the Registrar-General, which has just been published, shows that the population of the Free State is still decreasing. Our population at the end of 1929 is estimated at 2,946,000. The report contains interesting tables showing the variations of population since 1801 in the area now comprising the Free State. In that year the population was 4,154,000. In 1844 it had

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risen to 6,560,000—the highest figure reached. It was a population too large for the country to support, and then came the terrible famine years 1846 and 1847. By 1876 the population had shrunk again to 3,949,000, and the decrease continued almost without interruption to 1917, when the stoppage of emigration owing to the war increased it during two years by 80,000. In 1922 the figure was 3,022,000, and each year since has shown a decrease. The report also records, unfortunately, a substantial decrease in the birth and marriage rates, and an increase in the death rate. The births were 58,820, the lowest number ever recorded, and equivalent to a rate of 19.78 per 1,000. This fall is not due to the practice of contraception which, in spite of the gratuitous advertisement given it by the censorship, is not prevalent in the Free State, but rather to the equally unnatural practice of late marriage which, like birth control elsewhere, is due to the pressure of economic necessity, the same cause producing like results by a different method. The report discloses one gratifying fact, namely, the fall in the mortality from tuberculosis, which has practically decreased by half in ten years owing to proper treatment and advice. In other respects the Free State continues to show signs of steadily increasing prosperity. The latest official trade returns show that for the twelve months ending September 30, 1930, the adverse trade balance stood at £10,158,452, an improvement of £4,238,046 upon the figures for the corresponding period of 1929, and of about £8,000,000 upon those for the year 1924—25. For the first nine months of 1930 our export trade at £34,080,257 has improved to the extent of £427,468 upon that recorded for the first nine months of 1929. That our credit is good is proved by the fact that an issue of £250,000 worth of 5 per cent. guaranteed mortgage bonds by the Agricultural Credit Corporation* in November last was over-subscribed in a few hours

* See THE ROUND TABLE, No. 71, June 1928, p. 608.

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IT would never do to open a session of the Dail with a King's Speech. Not only would such procedure needlessly enrage Mr. de Valera and his followers, but it might even convince the backwoods supporters of the Government, who are not well versed in constitutional fictions, that our national policy is really being settled in London. The necessity for some such statement of programme and policy is obvious, and when the Dail re-assembled after the recess on November 19 Mr. Cosgrave took the opportunity to give a general survey of the economic condition of the country and to indicate the steps which his Government have taken and propose to take to deal with such difficulties as have arisen. The story he had to tell was entirely reassuring. As regards our foreign trade, in spite of the widespread fall in prices, our exports have increased substantially during the past four years, and the adverse balance of our visible trade has fallen from £19·3 millions in 1926 to £10·2 millions for the year ending September 30, 1930—a drop of no less than 47 per cent. An analysis of the available trade returns for forty-three countries for the first eight months of the year 1930 shows that only in nine others has the value of exports increased as compared with the corresponding period in 1929. The aggregate actual income of Free State tax-

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payers assessed for income tax purposes has increased by £4.75 millions during the period 1923-24 to 1928-29. The average number of persons registered as unemployed during the year 1930 up to the end of October is 50 per cent. lower than the average number registered during 1922. The number of persons insured under the Unemployment Insurance Acts has increased steadily from 242,494 in 1922-23 to 284,382 in 1928-29. Since 1923 we have floated three national loans, the aggregate amount raised being £23 millions, of which approximately only £3 millions was raised externally. £5.5 millions have been invested in Savings Certificates since 1922, and deposits in the Post Office Savings Bank have risen to £3.2 millions. These facts suggest that our citizens, after providing for current consumption, have had an appreciable margin available for savings. Our National Debt is comparatively low, and our credit abroad is high. In November the quotation for the Free State external loan in New York was over two points higher than the quotation for 5 per cent. War Loan. The second National Loan, issued at 97, has reached 105 on the Dublin Stock Exchange.

Mr. Cosgrave, after pointing out these facts, referred to the acute depression in agriculture as a result of falling prices and a bad harvest, and stated that the Government proposed to vote a sum of £300,000 for the provision of employment, principally in rural areas, as a temporary expedient to meet a temporary situation. He claimed that the policy which the Government had consistently urged on the farmers, namely, to produce live stock and live stock products, and to use grain as their raw material, had saved this country from the deplorable conditions existing in agricultural countries which, either from necessity or choice, have concentrated on the production of cereals, especially wheat. As regards agricultural tariffs, he said that the position of the Government was quite simple. So far as beef, mutton, eggs and feeding barley are concerned, the imports of these are so negligible that tariffs cannot

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possibly affect the position. So far as the imports of feeding stuffs, wheat and flour, which amount to about £12,000,000, are concerned, any tariffs on these would bankrupt the farmer. The world price of wheat had reached an almost unbelievably low level, and showed no sign of an increase. It was admitted that no tariff could increase the price of Irish bacon on the home or on the foreign market. It was equally clear that the effect of a tariff on foreign bacon would be to increase the price of low grade bacon to the farmers in the poorer districts and to labourers all over the country. These results did not commend themselves to them as a method of relieving agricultural districts.

Turning to industrial conditions, he pointed out that any doctrine of self-sufficiency in industrial policy was inevitably too facile and too short-sighted. It might indeed amount to recklessness if based on neglect to study world conditions. Economic forces were deploying in the international field which, if their bearing on our interests were not constantly and carefully studied, might go far to stereotype those activities by which we live. These conditions have impelled the Government to set up a whole time Tariff Commission,* consisting of Mr. H. O'Friel, the late Secretary of the Department of Justice, who is Chairman, Professor T. Smiddy, until lately High Commissioner for the Free State in London and previously in Washington, and Mr. D. Twomey, an experienced official of the Department of Agriculture. This Commission will be able to concentrate not only on the precise applications before them, but also on the study of all the surrounding and constantly altering factors that must be taken into account. The Executive Council has also taken power to refer proposals to this Commission direct for examination and report, even though no request for a tariff has been made by the industrial interests concerned. The first task which the Commission has been set is an inquiry into the proposed

* See THE ROUND TABLE, No. 64, September 1926, p. 813.

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tariff on butter, and in order to protect the home market against the dumping of foreign butter, whilst the inquiry is proceeding, a temporary prohibitive tariff of £5 a hundred-weight has been imposed by the Dail.* This tariff has also been imposed to enable the Irish Associated Creameries, the new co-operative selling organisation, to dispose of the large stocks of butter which it rather rashly held in cold storage, expecting a rise in price during the winter months. Many of the Government's advisers are against a permanent tariff on butter, and indeed it would seem better to concentrate on capturing the British market, where we supply less than one-tenth of the demand. Denmark, in fact, supplies more than Australia, New Zealand, and the Irish Free State combined. The Government has also decided to make substantial reductions in the contributions paid by employers and employees under the Unemployment Insurance scheme, which will result in a relief of £225,000 per annum to industry, and of £64,000 to the taxpayer. These reductions have become possible owing to the approach towards solvency of the Unemployment Fund, the debt of which is now relatively small.

The results of the Imperial Conference† had, as far as the Free State is concerned, been largely discounted, but our representatives took a foremost part in its deliberations. A competent observer, who was present at most of the important meetings, expressed the opinion that there were four outstanding personalities, Mr. Snowden, Mr. Scullin, Mr. Bennett, and Mr. McGilligan, and that Mr. McGilligan was the only one of the four who held his own equally well in both the economic and constitutional fields with which the Conference was chiefly concerned. He was undoubtedly the best representative we could send to Geneva, where he is now representing us on the Council

* On the recommendation of the Tariff Commission, the Dail, at a special meeting on January 22, imposed a tariff of 4d. a pound on imported butter, and removed the prohibitive tariff above referred to.

† See THE ROUND TABLE, No. 81, December 1930, page 152 et seq.

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of the League of Nations. Mr. McGilligan's chief object was of course to secure approval for the report of the Conference on the Operation of Dominion Legislation, and the abolition of the right of appeal from the Free State courts to the Judicial Committee of the Privy Council. In the economic field the Irish delegation, quite rightly, had little hope of any serious or far-reaching decisions. The report of the Conference on the Operation of Dominion Legislation has been almost entirely approved by the Imperial Conference and will now be implemented by the proposed Statute of Westminster. The disappearance of the British Government and Parliament from the relationship existing between the King and the other Governments and Parliaments has, as Mr. McGilligan recently stated, transformed the Commonwealth into a group of six Kingdoms. The transformation has, in fact, strengthened the prestige of the Monarchy inasmuch as the King, instead of being separated from the Dominion Governments by the British Government, is now directly advised by the former in their own affairs, and the King, by rejecting all advice, except that of the Government concerned, has, in a sense, become the guarantor and the symbol of the independence of the different nations of the Commonwealth. It is, in fact, difficult to see what further constitutional questions remain for future Imperial Conferences to discuss without mutual interference and annoyance. The Irish Free State must endeavour to use its position as one of the six British Kingdoms in the interests of its people by taking an active and constant part in the affairs of the Commonwealth and of the world, at the same time building up at home a distinctive cultural and economic life.

As regards the question of the Privy Council appeal Mr. McGilligan was not successful. The position would seem to be that the Free State representatives contended that they could abolish this right of appeal, which is implied in the Canadian status conferred on the Free State by Article 2 of the 1921 Treaty, without altering the Treaty, because

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Canada had now the right to do so if she wished. The English representatives maintained, on the contrary, that this right of appeal cannot be abolished without an infringement of the Treaty. The only way out would seem to be an alteration of the Treaty by mutual consent, but this the Free State Government does not desire as its attitude has always, very properly, been that the Treaty position must be maintained in its integrity at all costs. Thus the matter rests for the present, but it is extremely probable that as soon as the Statute of Westminster is passed the Free State Government will exercise the powers which, it claims, will then exist, and straightway abolish the right of appeal to the Privy Council, which indeed is already virtually obsolete. It is a pity that the matter was not settled amicably at the Imperial Conference, as it should have been. It is equally to be deplored that the two Archbishops of the Church of Ireland should have seized the opportunity to issue a public letter on the question demanding the retention of the right of appeal. They themselves acknowledge "the fair and generous way in which we, as a minority, have been treated, since the establishment of the Free State." The time has come when Irish Protestantism, if it is to have any national future, must realise once and for all that the political centre of gravity in Irish affairs has passed from London to Dublin, and that its surest shield and defence is to rely upon the fair play and love of liberty of Catholic Ireland. Such a course is bound to succeed. To do otherwise, to appeal, as the Archbishops have done, to outside opinion, is only to fan old fires and revive bitter memories.

A striking example of the fair play now shown to Protestants in the Free State has been recently given by the Government in connection with the appointment of a county librarian in Mayo. Appointments of this nature are now made by the Appointments Commission, which acts through independent selection boards, who examine the candidates' qualifications and interview them personally, reporting the result to the Local Appointments

In South Africa

Imperial factor even in its mildest form may well take up the cry that the Territories must be handed over, and the cry may be echoed by Europeans, who in Swaziland and the Bechuanaland Protectorate at least, are numerous enough to be audible. These last will be on the watch lest anything approaching the East African White Paper policy be applied in the Territories. But we cannot flatter ourselves that our record in the matter of native policy since Union has been such as to awaken any enthusiasm on the part of His Majesty's Government for the transfer.

South Africa.

January 1931.

GREAT BRITAIN

I. ECONOMY AND UNEMPLOYMENT

The Prospects of a General Election

"**T**HREATENED men live long." After an anxious fortnight following the reassembly of Parliament, the Government remains in office, and a dissolution appears to be indefinitely postponed. Those who, a few weeks ago, were encouraged or alarmed by the reopening of dealings in majorities on the Stock Exchange are reminding themselves that Mr. Balfour's Government, deemed moribund in 1902, lasted until the end of 1905.

But, although the Government has an improved expectation of life, it cannot be said to have earned a lower rate of insurance by any greater manifestation of health. Credit has rightly been given to it for the successful conduct and the hopeful conclusion of the Indian Round Table Conference, and while it lasted there was a lull in responsible criticism evoked by failures in domestic policy. But the lull is over. The patient is now more comfortable for a different reason. His omnipotent doctor—Mr. Lloyd George—is more determined to keep him alive. The doctor has emerged triumphant from a heated consultation with his colleagues, in which those who desired to administer a tonic proved more numerous than those who thought that a body which was so clearly still under the influence of sleeping draughts might as well be given an over-dose, the decisive argument being that, if the patient died, he would be unable to pay his fees, and would be replaced by an obstinately healthy cave-man who would not employ the same doctor.

The official decision of the Liberal party is to keep the Government in, and that decision makes any immediate speculations about the date of an early dissolution merely a waste of time. The Government can count upon 295 Labour and Independent votes, or just 13 short of a

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majority of the House of Commons. The Unionists can count upon only 262 votes. Forty-six Liberals out of fifty-eight must therefore vote with the Unionists, and the other twelve Liberals must abstain, if the Government is to be defeated. In other words, so long as twelve Liberals are loyal to Mr. Lloyd George, the Government is safe from the attacks of the Opposition, although it may have to reckon with mutinies in its own army such as did in fact lead to a defeat on an important point in the School Attendance Bill. A mutiny, however, is still most unlikely upon any occasion when defeat would involve the resignation of the Government.

Mr. Lloyd George's Policy

There have been various comments on the attitude of Mr. Lloyd George, but he himself has never attempted to conceal his motives. He has the lowest opinion of the calibre of the present Government. In the very frank speech in which, on December 5, he laid the situation before his party, he made it perfectly clear that he considered the Government incompetent. But he believes that an immediate general election would give the Unionists an independent majority, and reduce Liberal representation in the House of Commons by at least one-third. He views the prospect of a repetition of the Unionist government of 1924-1929 with horror. "The country cannot," he said, "be saved by swapping footlers." Moreover, he fears, not only their administrative incapacity, but their policy of tariffs. His own record suggests a certain fiscal impartiality. It was his government which passed the safeguarding duties in 1921 and only the other day he declared—a dictum resented in his own party—that "free trade is not bound to carry the monster (dumping) on its back." However that may be, the defence of free trade is now the accepted rallying cry of the Liberal party, and the free trade principles of irreplaceable members of the present Government constitute one of the greatest incentives to Liberals to support

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his strategy of keeping that Government in office. To the defence of free trade, moreover, he added two further arguments. The first was that the present Government was the most likely one to consent to adopt the Liberal policy of intensive development of works. The second was that it has promised the Liberals the alternative vote, which they hope will preserve the balance of power for them in the next House of Commons.

The Liberals have, however, been by no means unanimous in their approval of this programme. Sir Robert Hutchison, the chief whip, resigned his office; Sir John Simon considered that it was only consistent with the principles of an independent and self-respecting party to turn out a Government which had signally failed in practically all their undertakings and wrote to Mr. Lloyd George on October '25 to say so. A policy of keeping the Government in at all costs would, he believes, force Liberals to be equivocal upon questions with regard to which it was their clear duty to be unequivocal. He holds that these are clever tactics more likely to damn than to save the Liberal party. And the policy adopted has already been put to the test. Upon the second reading of the Trade Disputes Bill, on January 22, Mr. Birkett, the official spokesman of the Liberal party, pronounced a criticism of the Bill only less devastating than that of Sir John Simon himself. The Liberals abstained from voting in sufficient numbers to permit of the Bill passing its second reading. Their intention is, however, to have it drastically altered in Committee. More recently another body of Liberals have challenged, not only Mr. Lloyd George's tactics, but also his policy. The Liberal Council—a body founded four years ago by Liberals dissatisfied with Mr. Lloyd George's leadership—headed by Lord Grey and Mr. Runciman, have launched a campaign for economy, and have expressly repudiated the policy, upon which the party fought the last election, of raising a national loan of £250,000,000 and spending it upon development works. This repudiation shows that the

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Liberal Council are not merely trying to emphasise that part of the official Liberal policy which proposes again to review expenditure after the manner of the Geddes Committee in 1921. There is an undisguised split upon principles within the Liberal party. In the writer's view, however, the quarrel will not affect the Parliamentary position nor prevent Mr. Lloyd George from keeping the Government in, if he likes, and he has already modified his policy to the extent of now being content with the raising of loans by instalments to finance plans previously approved.

Economy and Budget Prospects

Meanwhile, there are signs that economy may, in effect, become the issue which will decide the colour of political labels. Two remarkable memoranda submitted to the Royal Commission on Unemployment Insurance by the Treasury and by the Government actuary, have confirmed the estimate made in an earlier issue of the *ROUND TABLE** that the cost of unemployment would destroy the balance of this year's and next year's budget. Even if the numbers of the unemployed do not increase it is estimated that £135,000,000 will be paid out during the next financial year in unemployment benefit, of which only £30,000,000 will be found by employers and employed. Of the remaining £105,000,000 (assuming that the system is not changed) £55,000,000† will be met by taxation, and £50,000,000† by borrowing. Since the total of the statutory sinking fund on the National Debt is £50,400,000, this means that under the head of unemployment alone Mr. Snowden will have to incur as much in the way of debt as he repays. The Treasury memorandum utters the warning that the situation will contain every mark of an unbalanced budget. If Mr. Snowden is to fulfil his qualified promise not to increase taxation, he will have to find from other sources the following sums :

* See *THE ROUND TABLE*, No. 81, December 1930, p. 136

† Maximum estimate in Treasury memorandum. (*Times*, Jan. 20.)

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(1) The deficit in the coming budget, at this stage a matter of speculation, say, £15,000,000* (apart from a further £35,000,000 representing borrowing on behalf of the Unemployment Insurance Fund).

(2) The difference between the cost of unemployment in 1931-32 and the cost as stated in the budget estimates for 1930-31, which may amount to £70,000,000 (£20,000,000 more from the Exchequer and £50,000,000, which, under the present system, would be borrowed, but which, upon sound financial principles, would also, in view of the size of the debt, be found by the Exchequer).

(3) The amount by which the revenue for 1931-32 will fall short of the revenue for 1930-31 on the existing basis of taxation. The ordinary commentator has no criteria on which to base an estimate of this amount. It has been put by Mr. Oliver Stanley at £15,000,000.

These three items together would amount to £100,000,000. If the whole sinking fund were raided there would, on this basis, still be a deficit of some £50,000,000. It is true that there are certain "nest eggs" in the Treasury, notably the reserve established when this country returned to the gold standard, which is said to amount to £33,000,000, and the cheapness of short-term money, if it continues, may reduce the cost of the floating debt by £10,000,000 more than was estimated for 1930-31. But if all these figures are only approximately correct, it follows that either the sinking fund will be entirely suspended, or taxation will be heavily increased, and even these unpleasant alternatives assume that no new commitments will be entered into. Mr. Snowden has frankly confessed the difficulties of the position in a remarkable warning uttered during a debate on economy in the House of Commons on February 11. He admitted that he would have a large deficit; declared that any increase in the taxation falling upon industry would be the last straw; appealed for a common effort and sacrifices all

* In the *Economist* of Jan. 3, the figure was put as high as £25 to £35 million.

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round, and for the largest sacrifices from those best able to make them. He announced that expensive projects would have to wait for a return of prosperity. He was quite ready to consider the Liberal proposal for a fresh Geddes committee. This statement created amazement and alarm among Socialist members, who feared that it meant drastic cuts in the social services and a halt in expenditure generally. The next day, however, the Prime Minister accepted the Liberal policy of development work put forward in a motion by Sir Herbert Samuel, proposing, not the original Liberal policy of a loan of £250,000,000 in advance—that had been rejected by the Government which saw no good in borrowing money first and then selecting the objects on which it was to be spent afterwards—but the amended policy already referred to of meeting the problem of unemployment by getting an active policy of national development works adopted by the Government and leaving the cost of the different schemes to be met by loans from time to time, as required. In his acceptance of Sir Herbert Samuel's motion which, for the immediate future at all events, cements the Liberal-Labour entente, the Prime Minister made it clear that the Government intended to speed up their existing programme of such works, and, among other things, to carry through their Agricultural Bills, which will involve considerable expenditure; while a Treasury Memorandum published on the same day showed that they propose to continue unaltered for a further eight months the present system of unemployment insurance, which will involve increasing the borrowing powers of the Fund by £20,000,000, and spending £30,000,000 from the Exchequer for transitional benefit during 1931–32. In these circumstances the political world is puzzled to know what Mr. Snowden's warning meant.

Legislation

The Government have been widely criticised on the ground that their programme of legislation has been almost

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entirely political in character, whereas the urgent national problems are all economic. All their principal measures have been roughly handled. The interest of their Bill for raising the school age has been rendered academic for the present by an amendment against the Government providing that it shall not come into force until agreement is reached upon the question of how State assistance is to be given to denominational schools. The Government chose to regard their defeat as involving no question of principle, but the agreement upon which the operation of the Bill depends seems, at the moment of writing, to be as far off as ever. The Trade Disputes Bill was duly introduced at the instance of the trade unions to amend the Act passed by the late Government in consequence of the 1926 general strike. Under this Bill strikes, whether ordinary or sympathetic, would be illegal only if their primary object is non-industrial. It proposes also to restore the power of trade unions to impose a political levy on their members subject to approval of such a levy by a ballot of members, and to the right of every individual member to declare his desire to be exempt; to restore the right of civil service unions to take political action, and to allow local authorities to insist upon their employees belonging to a trade union. The question came up with the Bill whether it was intended to legalise such strikes as the general strike of 1926, which was declared ostensibly to support the industrial strike in the mining industry. In the view of the trade unions who prompted the measure, and who have always contended that the general strike was legal, the answer was in the affirmative; did not the Bill itself show this? The Attorney-General declared that the legality or illegality of an exact repetition of the general strike of 1926 would depend upon whether the main object of that strike had been industrial or political; that the answer to that question depended upon the ascertainment of unascertained facts; the Bill dealt solely with the future, and it would make a strike illegal only if the courts held that its main object was not industrial. The

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Solicitor-General's view was, however, that the general strike would be illegal under the Bill, because the courts would have held that the primary object of the strike was not industrial—a view which gravely disquieted the trade unions. The chairman of the Trade Union Congress, indeed, stated that they would not have endorsed the Bill if they had realised this. This point, however, and indeed most others in the Bill, seems, as in the case of the Education Bill, likely to become academic. The Bill secured a second reading owing to the abstention of all but eight Liberals, but the speech already referred to in which Mr. Birkett defined the official Liberal attitude announced the impending destruction or drastic amendment of every important point in Committee. He approved of the definition of intimidation and he had no love for the Conservative Act of 1927, but he did not consider that the Bill restored the position as it was before that Act, and he believed that the 1926 general strike would have been legal under it. He objected to the necessity of obtaining a declaration of the High Court before criminal proceedings, to the substitution of the principle of "contracting out" for "contracting in," to the freedom given to civil servants to strike, and to the right conferred on local authorities of requiring their employees to join a union. It therefore seems as certain as anything can be in politics that the Bill will never reach the Statute Book in any form capable of giving satisfaction to its authors.

The second big measure introduced has been the Electoral Reform Bill, which proposes to introduce the alternative vote at any election when there are more than two candidates, to abolish plural voting and university representation, and to forbid the use of motor-cars at elections except those which are placed at the disposal of returning officers for equal distribution among the rival parties. The only special representation to survive will be that of the City of London. The Bill is commonly regarded as an attempt to consolidate Liberal support of the Government. Rightly or wrongly, Liberals, as already mentioned, believe

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that the alternative vote will increase their representation in the next House of Commons, and make an independent Unionist majority less likely. The system is not popular with Labour, but the Bill would, they consider, do away with the weighting of the franchise in favour of wealth. The argument for the Bill, apart from party considerations, is that the present electoral system does allow a party to obtain an independent majority in Parliament based upon a minority of votes in the country, and is therefore anathema to all those who think that the House of Commons should be a mirror of public opinion. The argument against the Bill, apart from any suspicions of the causes of its introduction, is that the alternative vote seems likely to guarantee a deadlock between parties in the Commons, and therefore indecision in Parliament, while the abolition of university representation is distasteful to those who think that the House of Commons should guide rather than reflect popular opinion. There is no ground for compromise on this matter of principle. On the one hand those who believe that democracy must be interpreted as the counting of heads will not be really satisfied with anything less than proportional representation, because the alternative vote does not guarantee the representation of minorities, and on the other hand there is the danger of the taxing authority reflecting an electorate, the vast majority of which is not conscious of paying any taxes at all. But once again the Bill, like the Trade Disputes Bill, seems destined for immediate purposes to be only a text for debate. The motor-car and university representation clauses are by no means sure of surviving Committee, and there is little chance of the Bill in its present form being passed through the House of Lords, except under the Parliament Act—a procedure which involves a delay of at least two years. Another possibility is that the House of Lords will substitute proportional representation for the alternative vote, as they did in 1918. Proportional representation is more popular with the Liberals, and might be accepted by the

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Unionists as the lesser of two evils should they be convinced that a change of some kind is inevitable ; but it is anathema to Labour, and therefore, if proportional representation were to be inserted by the Lords, the Government would have either to drop the Bill or court certain defeat. If defeated they must resign, and the Bill would not go back to the Lords. The chances are therefore that the Bill will never reach the Statute Book at all.

Other Bills now going through the House embody a first instalment of the Government's agricultural policy. The first proposes largely to extend small holdings and allotments as a measure of unemployment relief, and to carry out experiments in large-scale farming. The second Bill proposes to organise the agricultural industry compulsorily for marketing purposes. Both measures (save for the extension of allotments) have been hotly challenged on the ground that nothing will save agriculture except better prices, and that, if prices are better, nothing else is necessary. This feeling is shared to some extent by that section of the Labour party who desire Import Boards, and they are using it as a lever to press their favourite project, without so far being able to extract anything definite from the Government. Other measures, such as the Consumers' Council Bill, the Factories Bill, the Eight Hours Bill, are still in abeyance. One possible reason for the delay is that the Government, after their experience of the operation of the Coal Mines Act, are more ready than they were to take into account the economic difficulties of industry. Another Act which has so far produced no results is the Housing Act, designed to clear the slums. It is said that local authorities have nearly finished submitting their five-year building programmes, and that it will soon be possible to go ahead. But the fear is expressed that the only result of the Act will be to attain the same number of houses at a greatly increased cost. The Act is criticised on the ground that it is imperfectly designed ; that it gives a bigger subsidy, but does nothing to prevent any sudden

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increase in demand resulting in a serious rise in prices ; that it does nothing to secure that slum dwellers shall in fact inhabit the new houses ; nor to prevent the creation of new slums. These dangers were no doubt in the mind of the Prime Minister in the House of Commons on February 12, when he indicated that the operation of the Act would be supplemented by an agreement with the building industry upon programmes and prices

External Affairs

Foreign Affairs, in the usual sense of the word, have been featureless. The Naval Treaties have not been rounded off by any subsidiary agreement between France and Italy. Mr. Henderson has made a good impression at Geneva, where the Preparatory Commission on Disarmament has completed a draft convention for submission to an international conference early next year. The Convention suggests that disarmament should be secured by limitations on length of service and on annual expenditure on armaments. Lord Robert Cecil has pointed out the extremely critical character of next year's Conference. The fear is that, if it fails, Germany will claim the right to re-arm, with terrible repercussions upon the stability of the European situation.

Meanwhile the attention of British politicians is concentrated upon our relations with Soviet Russia. Considerable evidence has been brought forward to show that the timber exported from Russia is prepared by convict labour indistinguishable from slave labour, and the British Government has been hotly pressed to prohibit its importation, or at least to inquire into the truth of the allegations. Both requests have been refused. The Prime Minister has sought to brush them aside as instances of Unionist propaganda, and declared that nothing could be done without hurting the susceptibilities of a sovereign State. It is a pity that Anglo-Russian relations should be so acute an issue in British domestic politics as to make their

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continuance and their rupture respectively points of honour in party programmes. This is the more regrettable because, should the Soviet Five-Year plan follow its present lines, Russian exports will undoubtedly ultimately constitute an economic problem which will have to be treated without prejudice of any kind.

Finally, the Indian situation has reached a critical stage. The broader issues involved in the Round Table Conference's conclusions are dealt with elsewhere. As far as British politics are concerned there have been two main results. The first is that India will not, if the present leaders of parties can help it, become an issue in British politics. The second is that Indians now know the most they can expect from any conceivable British Government.

II. COAL AND COTTON

WITH the continued fall in prices, the great increase in unemployment, and the spread of the belief that inelastic money wages are one of the main handicaps on British industry, it is not surprising that movements for wage reductions are now gathering strength. They will probably fill the industrial landscape in the next twelve months. So far, however, demands for wage reductions to overtake the fall in prices have not caused any serious stoppage of labour. The two considerable crises of the winter arose from rather different causes. That in the coal industry was due to the attempted fulfilment, in the middle of the trade depression, of the Government's election pledge to reduce miners' hours without reducing their wages; economic circumstances combined to whittle away the benefit Parliament had bestowed. That in the cotton industry was due to the innate traditionalism of Lancashire; primitive instincts of fear and suspicion combined with imperfect conciliation machinery to produce a long stoppage in the most precariously situated of our great exporting industries.

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Coal

The coal disputes might have been very much worse, but as it was the greater part of the Scottish coalfield was stopped from December 1 to 6, and the South Wales coalfield from January 1 to 17. When the Coal Mines Act was passed last year, it was contemplated that, before the reduction of miners' hours underground to $7\frac{1}{2}$ a day took place, there would have been three months' experience of the working of the marketing schemes, and the owners, having regulated prices and output, would be in a better position to meet heavier labour costs. The marketing schemes were not, however, ready to operate until the end of the year, and November found the industry little prepared to meet a change in hours on the statutory date, December 1. In the eight hour districts the owners were not ready to concede a reduction of half an hour without some reduction of wages. The men, while they cared more about wages than hours, were reluctant to take advantage of the alternative under the Act—the "spreadover" clause, which permits a district, with the approval of the Mining Association and the Miners Federation, to work up to a maximum of eight hours a day so long as the total hours, averaged over a fortnight, do not exceed ninety.

The delegate conference of the Miners Federation on November 28 was asked to endorse the spreadover as the only way to save wages. But, confounding all prophecy and defying the advice of its officials, the conference turned down the spreadover and prepared to test opinion on a national strike for the $7\frac{1}{2}$ hour day with no wage reductions. The influence behind this grave decision—a reversion to the "all or nothing" policy of 1926—was the non-combatant districts of Yorkshire, Notts and Derby, which have worked a $7\frac{1}{2}$ hour day since 1926, and Northumberland and Durham, where hewers work $7\frac{1}{2}$ hours. Their attitude was that it was the Government's business to

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see that its pledge was fulfilled. A widespread stoppage was only averted by the action of the officials of the Federation, who were ready, for the sake of peace, to disregard their representative body, and to back the Government in an appeal to the districts to continue at work at all costs until another conference could undo the mischief.

By its decision of November 28, the delegate conference had made anything longer than a $7\frac{1}{2}$ hour day illegal from December 1. Most districts fell in with the law, but in South Wales and Scotland an 8-hour spreadover (of 11 days a fortnight) was the hard alternative to heavy wage reductions. Rather than have a stoppage, the Government winked at the illegality of an unauthorised spreadover, but the Scottish miners struck rather than defy the Act which they were urged to break. They soon, however, bowed to the Prime Minister's appeal, and while the next conference of the Federation still voted against the spreadover, it allowed its decision to be neutralised and side-tracked.

Agreements for three and four months were then arranged in the districts, and with the help of the National Industrial Board, spreadover terms of from $7\frac{1}{2}$ to 8 hours, without substantial changes in wages, were agreed on. The South Wales owners would not recognise the Board and insisted on pressing for wage reductions, irrespective of the arrangement on hours. After a stoppage of a fortnight, a long term settlement was reached (with government help) by which the owners conceded a $7\frac{1}{2}$ hour day, and the men took the risk of having wages reduced by the arbitration award of an independent chairman.

The immediate crisis is over, but the hours difficulty is already arising again, as the district agreements come up for revision, and it will reach an acute form when the decision has to be taken on the lapsing of the Act of 1926. Without fresh legislation, hours will drop to a uniform seven a day in July—a far greater economic upheaval than that of December. Delicate negotiations must soon be

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begun. Mr. Shinwell, the Secretary for Mines, is moving to devise an agreed policy on hours, but it will be no easy task to persuade the miners to acquiesce in another postponement of their hopes. The events of December, disturbing though they were, at all events showed that the miners are not oblivious to the economic difficulties of the industry, and Mr. Shinwell may succeed. He is also trying hard to secure an international Convention on hours at Geneva, and to secure an agreement on markets with Germany and Poland. The international argument may be conclusive in gaining for the industry the breathing space that it so badly needs.

Cotton

In spite of the fatality which seems to dog it, one can have more hope for the recovery of British coal mining than for the recovery of the Lancashire cotton industry. The dispute which has thrown idle most of the weaving mills is a revelation of deep rooted industrial conservatism which reflects, unhappily, the spirit of a whole industry. Lancashire, with the same quantity of machinery as before the war is now producing little more than half its pre-war output. The present depression has merely accentuated a progressive decline in the exports on which the industry depends. But although the industry has no lack of counsellors, and although its more active minds, through the Joint Committee of Cotton Trade Organisations, and the Government, through its chief industrial adviser, are working continuously to promote reforms, the results have been extremely disappointing. Since the formation of the Lancashire Cotton Corporation two years ago, almost all efforts to amalgamate the industry's innumerable small units and to improve marketing methods have broken on the hard grained sectionalism which not even disaster can disturb.

A desperate pessimism is common to employers and operatives alike. On the long view the weavers' opposition

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to the "more looms system" will probably appear in the same light as their ancestors' opposition to the introduction of the spinning jenny or the power loom—a futile revolt against a labour saving device. Much of the successful competition of other countries is due to their adoption of the automatic loom, on which, although the capital outlay is large, labour costs are small, as one weaver can attend to as many as 20 or more looms. Lancashire has been slow to take up the automatic loom (partly owing to labour's opposition), and now that the mistake is realised employers lack the capital or confidence to modernise their weaving sheds. They have therefore turned to the half measure of economising on the labour costs of their machinery by giving the weaver more ordinary looms to run. This is not so drastic as it sounds, as the machinery is run more slowly, and the weaver is relieved of subsidiary, unskilled duties. Instead of four looms to a weaver being the normal maximum, it is possible under this system to extend the number to six, eight or ten. So far it is applicable to only a small part of Lancashire's production—no one claims it to be a general panacea—but where it can be used, it is said to save 20 per cent. on weaving costs, while at the same time affording the individual weaver a higher wage.

By joint agreement twelve months' trial was given to the system at Burnley, but when more permanent terms came to be discussed last April, irreconcilable differences presented themselves. The weavers, who at first looked on the experiment with some favour, developed intense hostility. They came to view the system as a menace to their customary standards of life. It would, they believed, reduce the demand for weavers by 40 per cent.; it would disturb the family basis of the income of the weaver's household, in which both husband and wife go out to work. Whatever the employers might say, it was impossible for them to convince the weavers that the system was not a trick for reducing wages all round. A further

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argument was added that, so long as the employers refused to reorganise, labour should not be sacrificed to prolong inefficiency.

Sometimes the weavers opposed the system on pure general principles such as these, sometimes on the narrower grounds of the inadequacy of the new wages list offered by the employers. But, on whatever point they took their stand, they refused to give their leaders any power to negotiate on the employers' proposals for the gradual extension of the system, under joint regulation and control. With the hands of the union tied so fast that all the efforts of the Government could not untie them, and with the employers restive after nine months of abortive discussion, the stoppages began, first in strikes at 14 mills, then in a lockout at Burnley, and finally, on January 17, in a general lockout of the weaving mills.

Both sides committed grave tactical mistakes. The employers might have done a great deal more to reassure the weavers in the early stages of the dispute, and to convince them that no revolutionary changes were intended, and that decent wages would be paid. The weavers' union has been lacking in consistent leadership. But the greatest interest of this remarkable dispute lies in its illustration of how little pure reason and nice calculation of economic loss and gain can prevail against a wave of mass emotion. The Lancashire weavers, among whom women are more numerous than men, have been worked up into a state of panic. The industry seems to be collapsing around them, and they cling to what scrap of security they feel they have in their old workshop customs and wages methods. Their fears are almost certainly greatly exaggerated, and, in any case, blind resistance to change and frantic demands for salvation through State control are no substitutes for normal methods of collective bargaining. The Government, for all its sympathy with workers in distress, has thrown its influence on the side of a settlement through a further trial of the system on scientific lines. The employers

Coal and Cotton

are willing to grant it, and the weavers' executive has proposed it to its members. So far, however, all compromise has been refused; the weavers have rejected the advice of their executive and feeling has hardened. In few industries, perhaps, would such violent opposition to a minor change in organisation have been possible, but Lancashire has a long industrial history. The resistance might have been less strong, but for a very modern influence, that of unemployment insurance benefit; a third or more of the weaving population is being supported from State funds, and their votes, along with those of the operatives working for non-federated firms, have gone against a system which, they think, will lessen the amount of work to go round. The tragedy of it is that whatever the issue may be—and the present dispute may not settle it—a large proportion of the Lancashire weavers can never look forward to continuous employment again. Every measure of rationalisation can only intensify the problem of the surplus labour of this contracting industry.

It will be some weeks before we can know the issue of the railway companies' movement for all-round wage reductions. The National Wages Board has taken nearly a month to hear the evidence from the companies and the unions, and must take time to prepare its findings. Our comments must be reserved for a future issue.

The engineering, building, pottery, textile finishing, and boot and shoe industries are others in which the resources of collective bargaining are now being tested. We can only hope that the more friendly and realistic spirit which has entered into industrial relations since 1926 will help us in what promises to be a difficult period of transition.

Postscript.

At the moment of going to press the news comes that the cotton lock-out, after lasting a month, was called off on February 13, the morning after Mr. Snowden's speech, and

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just before the Prime Minister's. It is interesting to note that Mr. Snowden's warning was one of the reasons given by the employers for their action. The employers acted courageously and wisely in reopening their mills and discontinuing the more looms experiment. The alternative was a long, desperate struggle from which no one could gain. Now, in a calmer atmosphere, there will shortly be another approach to the whole range of problems of reorganisation with, we may expect, better results. This time the operatives will be more ready to play their part, and the experience will not have been lost on the employers.

Causes of Unrest

happening with the Khans in British territory, the influence of the tribal chiefs is weakening. The old feudal system is breaking down with the extension of the British occupation, and the younger men now resist the authority of the elders. The maliks used formerly to strengthen their position by lavish hospitality and by the maintenance of a number of rifles. To-day hospitality is declining; the malik keeps his allowance as far as he can for himself and looks to Government to maintain his position. In consequence he is losing his influence. The revolt, therefore, in tribal areas as in British territory, was against the existing social *régime*, and inspired by a belief that the British Government was about to be overthrown.

But the alliance between Congress and the Pathans, though outwardly sincere, as is shown by the strict discipline which kept the Afridis from looting Hindus and saved the villages during their incursion into Peshawar district, was never a genuine one. If the revolt had succeeded, it could never have lasted. There were, moreover, features in the organisation of the Youth League which definitely indicated that Abdul Ghaffar's real object was to make use of Congress help and organisation just long enough to enable him to establish an independent Pathan State. Unity among Pathans was the text to which he constantly returned in his injunctions, and on one occasion he added the significant warning that a flood was coming from down country and that they must protect themselves from it. There was, however, a general belief among the townspeople that the alliance was sincere, and that there was nothing to fear from the tribesmen. An ex-schoolmaster, one of the principal office-bearers of the Congress Committee of Bannu city, stated that Mahomedan volunteers had been enrolled to assist in maintaining order when the Congress had secured independence, and when questioned as to the part that the tribes would play if British forces were withdrawn, he asserted that they had given an assurance that they would not harm their Hindu brethren. It was this

The Unrest on the Indian Frontier

belief that led the Hindus of Akbarpura village, contrary to custom, to keep their money and jewellery, of which they were relieved by a gang of Afridis, in their houses. The assertion of the Afridis that they were the liberators of their oppressed brethren, that they were engaged in a holy war from which they would not desist until British oppression ceased and their political leaders were released, and finally the demands which they presented to Government in the autumn that all political prisoners must be set free and the special ordinances withdrawn, are all equally significant, for they indicate both the source of inspiration and the real audience for whose ears these statements and demands were intended. It is impossible to resist the conclusion that the Congress organisation in British India has been the main source of trouble. The whole course of events points to it. No other agency possesses either the intimate knowledge of affairs in India which underlay the propaganda in this instance, or the same facilities for penetrating the area in which this propaganda has been disseminated.

Disaster has been narrowly averted, but the danger remains. Indian extremists have before now shown a reckless disregard of consequences in their endeavours to create trouble on the Frontier for political ends in India. It was so in 1919, when the commencement of the third Afghan war and the outbreak of disorder and rebellion in India so nearly synchronised. It has been so again this year, and we may expect the peril to recur whenever the prevailing circumstances are favourable. History has a habit of repeating itself in India. The Mahomedan has no aversion to seeing the tribesmen resisting British authority. He desires the menace on our border to continue. The position of the British on the Frontier, therefore, must remain precarious. The services are being weakened by Indianisation, and any further weakening of control by the introduction of constitutional changes, which are not understood by the people of the Frontier, or of a form of

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democratic government, which is desired by the Hindu of India, but foreign to all Pathan ideas, is necessarily fraught with the gravest danger. In the past we have been repeatedly blind to the consequences of legislation which offends oriental susceptibilities and we have taken no notice of intrigue which is being carried on under our very eyes. We have disregarded threats and talk of revolution, content to drift upon the tide of circumstance. But times are changing. In the hurry of the present day we are losing touch with the masses, on whose contentment the peace and security of India depend; the spirit of unrest and discontent which has been apparent among the educated throughout India for years is increasing; and the antagonism between East and West now takes form in a more constant resort to violence. India will not rest content as she is. Congress has declared for independence and revolution. But should a serious rebellion ever occur, the tribes will sweep down on India, looting and killing as they go, and the supporters of Congress will then reap the harvest that they have sown.

India.

December 1930.

POSTSCRIPT

Since this article was written, a Committee has been appointed by the Government of India to go into the existing system of tribal control and defence against risings.—EDITOR.



NORTH WEST PROVINCE and Indications

*Shaded parts denote the territories, British, Indian State & Afghan, adjacent to the
N. W. FRONTIER*

Boundaries -----

GOVERNOR - GENERAL AND HIGH COMMISSIONER IN SOUTH AFRICA

DURING the heat of the war, hopes ran high in certain quarters, in Great Britain and overseas, that the end of the struggle would see the constitutional bonds of Empire tightened. These hopes were disappointed and, even before the Imperial Conference met in 1921, everyone realised that the order of the day was to be equality and autonomy tempered by that "continuous consultation" which had been the main problem of the Commonwealth ever since the British Government had recognised and welcomed the growing Dominion nationalism of 1907.

Writing on the eve of the 1921 Conference, *THE ROUND TABLE** noted that, in accordance with this new status of equality, the Dominions were entitled to appoint plenipotentiaries in London, and that the United Kingdom was similarly entitled to appoint such at the Dominion capitals as the channels of communication between His Majesty's Government and the Dominion Ministries. At that time, the Governors-General discharged that function, as they had always done. But if, as General Smuts was suggesting, the King was to appoint the Governor-General on the recommendation of the Dominion concerned, the United Kingdom would come perilously near to losing a vital part of this equality; for, whereas the Dominions would have the right of choosing whom they would to represent them in London, the right of His Majesty's Government to exercise a similar liberty at

* See *THE ROUND TABLE*, No. 43, June 1921, p. 553.

Governor-General and High Commissioner Ottawa, Canberra, or Capetown-Pretoria, would be virtually denied or, at the least, gravely restricted. THE ROUND TABLE, therefore, suggested that the reasonable course would be to separate—

The formal and social functions of the Governor-General, which are analogous to those of a constitutional monarch, from what may be called his quasi-ambassadorial functions. . . . In the particular case of South Africa the United Kingdom's local representative would have not only quasi-ambassadorial functions, but also those involved in the discharge of the duties at present resting directly upon the Government of the United Kingdom in regard to the administration of Rhodesia, Basutoland, Swaziland, and the Bechuanaland Protectorate. He must clearly, therefore, be a servant of the United Kingdom Government appointed by and directly responsible to it.

In this matter of the Governor-General and the High Commissioner, South Africa is, as she so often likes to remind herself, truly a "particular case." Long ago in the 'fifties, Sir George Grey justified some of his more temerarious acts by the reflection that no mere Governor was saddled with his powers and duties. And that was so. During the years of confusion which followed the Great Trek of the 'thirties, His Majesty's Government realised that the problem in southern Africa was markedly different from those in North America and Australasia. There, it had to deal simply with groups of British colonies; in South Africa, it had to adjust its own and colonial interests to those of republics and native states and tribal territories. In 1846, therefore, it appointed the Cape Governor also High Commissioner for the settling and adjustment of the affairs of the territories in southern Africa—adjacent or contiguous to the eastern and north-eastern—"frontier of the colony." Once, in Sir Bartle Frere's time, in 1879, a separate High Commissioner for south-east Africa was appointed temporarily; from 1887 till 1897, when Zululand was incorporated with Natal, the Governor of the colony was also Special Commissioner for Zululand; for the rest, the High Commissioner was always the Governor of Cape

In South Africa

Colony, until, in 1901, Sir Alfred Milner transferred the office to the Transvaal. In 1910, it was handed on to the Governor-General of the Union.

The present is not the first time that a clean cut between the two offices has been proposed. Prior to the grant of responsible government to the Cape in 1872, the Imperial representative was responsible in the last resort in both his capacities to the Secretary of State. Even before 1872 one High Commissioner at least had admitted that, being paid by the colony, living in its capital and in daily touch with its leaders, he was simply the Governor writ large, and that Great Britain's policy must therefore be guided largely by colonial ideas. The grant of self-government emphasised the distinction between the offices: as Governor, the Imperial representative must be guided by his Ministry; as High Commissioner, by the Home authorities; but it did nothing to reduce the peril that the High Commissioner might be swallowed up by His Excellency the Governor. It was on these very grounds and with an eye to Imperial responsibilities towards the tribes, that in the middle 'eighties the Reverend John Mackenzie, champion of the Empire and the Church in Bechuanaland and still further north, tried to induce His Majesty's Government to separate the two functions. Sir Hercules Robinson, the Governor, would have none of it. An independent High Commissioner, he held, would be costly and might be a highly disturbing element in a land where Imperial and Colonial interests dovetailed so admirably as they did in his own hands. So, matters were left as they were.

That was forty years and more ago. Much has happened since to alter the situation radically. The republics, which used to communicate with His Majesty's Government through the High Commissioner's Office, are gone; the old colonies have joined with them to form a Dominion; many of the native territories of Sir Hercules' day have been absorbed in the Union; the High Commissioner's

Governor-General and High Commissioner powers in self-governing Southern Rhodesia are less than they were when the British South Africa Company still ruled. The Balfour Report of 1926, and the Sankey Report of 1930,* have adopted the course foreshadowed by THE ROUND TABLE and, indeed, rendered almost inevitable by the resolutions of the Conference of 1921. The Governor-General is no longer "the representative or agent of His Majesty's Government in Great Britain," he is solely the representative of His Majesty appointed on the responsible advice of the Dominion Ministry. This rule, and the practice that lies behind it, have been applied logically to the "particular case" of South Africa. The decisive step has been taken and the twin offices of Governor-General and High Commissioner have been separated at long last.

In the Union the step has either been warmly approved or regretfully accepted as the necessary consequence of other recent changes. But we note that, in London, grave doubts have been expressed as to the wisdom of the change. Lords Selborne and Buxton, each of whom has served in the joint offices for a full five years, have written to *The Times*; Mr. Ormsby-Gore has also raised that issue there and in the Commons.† After criticising the hasty and almost private manner in which the change has been effected, they ask how far it will operate to make the Governor-Generalship less attractive than it has been hitherto to able men, and, further, what effect the change may have on the impressionable minds of the chiefs and the tribes in the Imperial Territories?

Experience alone can give the answer to the questions raised by these distinguished critics. The powers attached to one office alone must be less than those of the two together. The High Commissioner has power: the Governor-General must rely mainly on influence, and that, admittedly, is not government. But, even though the

* See THE ROUND TABLE, No. 66, March 1927, and No. 81, December 1930.

† See *The Times*, November 25, 26 and 28, 1930.

In South Africa

ablest Governor-General cannot hope to be all that the King is, there is much good work that an able man can do by reason of the continuity and prestige of his office, and by tact, even as His Majesty does in Great Britain. We do not feel that, in the person of our new Governor-General, the Earl of Clarendon, the single office has failed to attract an able man this time.

As for the possible repercussion in the Territories and Protectorates, such evidence as is available would seem to indicate that the change is welcomed among those of the natives who are capable of understanding and appreciating what is proposed to be done. Many regard it as a definite declaration by the British Government of its intention to maintain their existing status of being directly governed by the Crown and as a new barrier against Union influence. Whether in actual practice that will be its effect in the long run may, as is foreshadowed at the conclusion of this article, be open to doubt.

On the score of general policy, or, if you prefer, of theory, the reply of the Secretary of State for the Dominions would seem to be unanswerable. "I could not," he said, "undertake the responsibility of having someone controlling native policy who was not responsible to me." That is the position in a nutshell. The Governor-General, in other words, the Ministry of the day, controls the fate of all the natives within the Union; the new High Commissioner, Sir Herbert Stanley, who is due in April and will be welcomed as a man who has had long and intimate experience of southern Africa and of the duties which he will be called upon to perform, will be responsible to "His Majesty's Government in the United Kingdom," whose representative he will be, for the affairs of the three great Native Territories and, to a less extent, those of the Rhodesias. So long as the British authorities control those territories, they must have a man on the spot who is free to see eye to eye with them, to take instructions from them, and to act accordingly. If those offices were to

Governor-General and High Commissioner

remain combined as heretofore, they could not be sure of that, now that the Union Government is to have so decisive a voice in the selection of the Governor-General, and may very well emulate Australia and recommend a South African for that high office. That is the crux of the matter, and the British Government has, as far as we see, faced it in the only possible way.

To sum up, the separation of offices was a necessary step under existing circumstances and probably the advantages will outweigh the disadvantages; and, in so patently an imperfect world, that is the best we can hope for. But there is one possible danger that the critics have not noted. Its gravity need not be exaggerated, but it is well to note its existence. Sir Hercules Robinson fought the appointment of a separate High Commissioner partly on the ground that this obvious intrusion of the "Imperial factor" might alarm the republicans and the colonials of his day. Republicanism is so strong in South Africa to-day that the risk of a little less or a little more encouragement to it may well be taken. The risk of a revived demand for the incorporation of the Territories in the Union is not so slight. Lord Selborne, with some support from within South Africa and without, tried to secure the appointment of a standing commission with wide powers to rule the Territories when they should come under the Union. The scheme was, for all practical purposes, set aside on the plea that there could not be two kings in Brentford: the Commission and the Union Government. In the event, a gentleman's agreement was set forth in the Schedule appended to the South Africa Act of 1909. In those days, the transfer was expected to be speedy. It has not yet taken place, and, as far as we can judge, there is at the moment no pressing demand from within the Union that it should take place, though such demands have been made from time to time. Certainly, there is none from the tribes themselves. But under the new arrangement, those who object to the

The Reconciliation

Senate, and it is very doubtful whether the Upper House, in which there is an anti-clerical majority, will ever ratify or even consider them.

Meanwhile the religious communities have lost no time in returning to France—not only the missionary communities in whose favour the Government has declared, but all those which existed in France before the law of 1901, and even some others. There is more than an element of paradox in the contrast between the situation *de jure* and that *de facto*. And yet that paradox reflects both the wish of the French Government to meet the views of Rome, so far as it can do so without alienating powerful currents of French opinion, and the inclination of Rome in certain circumstances to prefer vague and ill-defined arrangements, which the Church can always hope to improve by perseverance and ingenuity, to a precise and restrictive agreement with which she could never feel wholly satisfied. This is, in fact, one of those provisional situations which has more than a chance of enduring.

It must not, however, be overlooked that any understanding between the Holy See and the French Government will be in some sense fragile and insecure until it covers that most disputable of all subjects, education. In both camps, men of eminence have devoted their attention to this aspect of the problem, and there have been many attempts in unofficial discussions to reach some basis of agreement. In defence against the atheism of the lay movement, or against that unqualified “neutrality” which is hardly less abhorrent to her, the Church has set up complete courses of instruction, primary, secondary and higher, given by teachers appointed by the Church in institutions of her own. It is a form of activity in which the Church feels an especial and most legitimate pride; but pride has not been unmixed with anxiety, and perhaps some disillusionment. It has for long been noticed that, whilst some of the ablest defenders of the Church come from the lay universities, many leading anti-clericals have

Church and State in France

been educated in religious institutions. Quite apart from this, the maintenance of a system of private education represents a heavy financial burden on French Catholicism, and this burden is likely to become more oppressive as the State extends to the higher branches the privilege of free education which it already provides in primary schools. On the other side, there are already some French statesmen who are disturbed by the moral deprivation suffered by the younger generations as a result of the ostracism of religion from public instruction. The most liberally-minded of them lean towards the system which has come to be known as *la proportionnelle scolaire*: in other words, they would favour State grants, in proportion to the number of scholars, to every educational institution, secular or religious, which attains a certain standard and accepts some form of supervision. Others would be satisfied—and it is worth noting that the two solutions are not mutually exclusive—if the schools were thrown open to ministers of the different religious sects, and parents were left free to decide whether or not to entrust their children to them. It would seem, then, that if the Church would make some concession, not in principle, but in practice, to “neutrality,” and if the State would discard from its secular character any anti-Catholic or anti-Christian bias, an agreement between them would come within the range of possibility.

This opens a vista of infinite attraction into the future. At its furthest limits we see the end of those misunderstandings between “the two divisions of our youth” which Waldeck-Rousseau in a famous speech long ago denounced, and we see also at last consolidated the moral unity of the nation, which the war in its transitory way brought about. But it is well to remember that the realisation of these hopes and even the maintenance of the unstable equilibrium of to-day may be endangered at any moment by the revival of an uncompromising spirit in Rome or by a new ground-swell of radical fanaticism in France.

THE UNREST ON THE INDIAN FRONTIER

I. THE DISTURBANCES ON THE FRONTIER

SUFFICIENT time has now elapsed to make it possible to review the disturbances of last summer on the North-West Frontier of India,* and to examine the causes which led up to those extraordinary events—tribesmen advancing through British territory right up to places strongly held by British and Indian troops, and, what must seem stranger still, posing as the liberators of the oppressed Indian subjects of the British Empire. The responsibility for a situation which so nearly developed into a grave disaster has also to be determined.

The events themselves may be briefly chronicled ; their causes are suggested on a later page. On April 23 last riots broke out in Peshawar city after the arrest of certain orators and office bearers of the Provincial Congress Committee. There were troops in the city, but some thirty hours later these were withdrawn—two of the platoons of the Garhwal regiment had refused to support the police. The Congress Committee thereupon assumed the virtual control of the city ; volunteers were posted in the main streets to direct traffic ; patrols policed the streets at night and bulletins from the Congress office were placarded every day in the principal square purporting to announce events of interest. This state of things went on for nine days, until the city was re-occupied by troops on May 4, and, by the end of August, though a certain amount of unrest continued, order was restored in the province.

* For a description of the North-West Frontier see THE ROUND TABLE, No. 61, December 1925.

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But we must now turn to the part played by the tribesmen. Exaggerated accounts of the Peshawar riots had reached the Haji of Turangzai,* who was related by marriage to a landowner in the Peshawar district, named Abdul Ghaffar Khan, who was also vice-president of the Provincial Congress Committee. On May 3 the Haji was reported to be endeavouring to stir up the Bajauris and Mohmands, with the object of attacking Peshawar, and a few days later the Congress Committee in that city published a bulletin announcing that the Haji was on his way to rescue its inhabitants. And within a week he had actually advanced with five or six hundred tribesmen to a point within a couple of miles of the border and only some twenty miles from Peshawar city in a direct line. Here he got into communication with disaffected villagers, remaining on the border until the end of May, when repeated aerial bombardments and the scarcity of supplies broke up his lashkar,† which at this time varied from 500 to 2,000 men, the numbers rising or falling according to the amount of food and munitions available. At the same time efforts were made to induce the Afridis to come down from their hills and to join in a general attack, and there was sniping of posts in the Tribal Agency‡ at night, and an increase in the general unrest. On May 8, it became necessary to take action against the Congress Committee in Kohat city, and subsequently against the committees in Thal and a village named Darsamand on the Tirah border.

On Sunday, May 11, as a result of seditious propaganda

* See the map in the appendix for the position of the tribes referred to in this article.

† Tribal army.

‡ The hills between the Frontier Province and Afghanistan are occupied by Afridis, Orakzais, Mahsuds, Wazirs and other tribes (Durand settlement 1894), who, except in the Kurram valley and Sherani country, where there is a loose form of British administration, have internal autonomy, though for external relations they are grouped in tribal agencies under political officers drawn from the Indian political service, which is mainly recruited from the Indian army and the Indian civil service.

The Disturbances on the Frontier

from Bannu district in North Waziristan, the British post at Datta Khel was attacked by a lashkar of Madda Khel Wazirs 5,000 strong, and on May 14, aerial action had to be taken against the villages of the offending tribesmen, and a column started out from Razmak. Boya Fort in North Waziristan was attacked on the same day by a Mahsud lashkar 1,300 strong. A report had reached them that Datta Khel Fort had surrendered. The leaders of the lashkar, however, fell in the assault, and their *maliks* * then induced the tribesmen to retire.

On May 14 the Congress Committee in Bannu city was suppressed, but disaffection had already infected so many of the surrounding villages that order was not restored until the end of August. In South Waziristan, too, there was considerable unrest all through May owing to wild rumours and organised propaganda, and on May 14 a number of Wazirs advanced into Wana plain to loot Wana Camp, which was reported to have been evacuated. Letters were also received in the Orakzai country on the border of the Kohat district on May 17, appealing to the tribesmen to come to the assistance of the people of Peshawar. These appeals continued throughout the month, and were redoubled at the beginning of June when the first Afridi invasion of Peshawar district took place. On May 24 the tribes on the border of the Hazara district were visited by messengers from the Hindustani fanatics of Samasta, who brought a letter declaring a *Jehad* † from their Amir. A similar call was sent round the villages of Lower Swat by the people of the Charsadda subdivision in the Peshawar district, and at the same time the *Jehad* was preached by the emissaries of the Haji of Turangzai in Dir and Swat. All this took place toward the end of the harvest, a specially favourable time for hostile activities, but fortunately the lack of any leader of influence, and the fact that the people did not know why they were being called upon to perform *Ghaza*, ‡ served to check any

* Chieftains.

† Holy war.

‡ Fighting for the faith.

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large response. On May 25, however, there was a serious demonstration near Mardan in the Peshawar district, in the course of which Mr. Murphy, the Assistant Superintendent of Police, was murdered, and the same day a small Utman Khel lashkar advanced to the border of the Charsadda subdivision and threatened the police station on this part of the border, where they continued to be a source of unrest until June 21 when they were dispersed by a combined force of troops and militia.

On May 30 it became necessary to put a stop to the propaganda of the local Congress Committee in the city of Dera Ismail Khan. The fact that, as soon as the Congress office was seized and the local agents dealt with, trouble came to an end in this district, shows how largely the attitude of the surrounding country was merely imitative and dependent upon events.

On May 31 there was, however, an unfortunate incident in Peshawar city which revived the popular excitement and furnished fresh material for propaganda among the tribes. A rifle accidentally went off while it was being cleaned for inspection at one of the military posts in the city, and two children in a passing tonga were killed on the spot. The mother, too, was wounded. An immediate riot was, with difficulty, averted, but a little later some British troops, returning to their quarters, met the procession escorting the dead bodies of the children, and the crowd refused to make way, attacking the troops, and attempting to seize their rifles. The latter were thereupon forced to open fire in self-defence.

On this same date an Afridi lashkar, estimated at from 1,500 to 2,000 men, was reported to be moving down the Bara valley, and by June 4 it had swelled to 10,000 men with sixteen tribal standards. Although these figures included a certain number of unarmed lads and old men, all sections of the tribe were understood to be represented, and the same evening 2,000 of these tribesmen penetrated into the Peshawar district, where, splitting into two sec-

The Disturbances on the Frontier

tions, they advanced on the city and its cantonments. On their way they did no harm to any of the villages they passed through. Some 1,000 Afridis are understood to have actually reached the outskirts of the city, but no attack was delivered that night, either because it took too long to reach the positions selected for attack, or possibly because of the smallness of their numbers, and the next day, upon being attacked by the troops from the cantonments, they withdrew. By breaking up into small parties, and thanks undoubtedly to the help of the villagers, they got away with very few casualties.

On June 9 a lashkar of 200 tribesmen appeared on the Agror valley border in the Hazara district, but the Frontier Constabulary forced it to retire, and a second attack on June 10 was also repulsed. About the same time some 2,000 tribesmen were reported in Lower Swat. They moved about at night, and some damage was done to the property of the Canal department, but aeroplanes finally dispersed them. In the meantime the Afridis continued their weekly meetings, and on June 20 the news came that they had decided to take further action against the British Government, though for the moment nothing happened. On the evening of June 22, however, the village of Akbar-pura about twenty miles from Peshawar was raided by a body of them disguised as Frontier Constabulary, and the Hindu shopkeepers were relieved of cash and jewellery to the estimated value of Rs.20,000. On July 12 a similar raid was made on a small village in the Mardan subdivision by another gang also disguised as police. These are the only two instances in which injury was done to villagers by tribesmen during the outbreak.

In July the unrest increased all along the border, and on August 1 a meeting of Afridis resolved to raise a lashkar and to attack Peshawar again. The maliks and elders did their best to restrain the younger men and to defeat the resolution, but to no purpose, and on August 3 there was a muster of about 2,000 men with three tribal standards,

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which by August 7 had swelled to 5,000, and by August 9 to 6,000. On the night of August 7 a large body entered Peshawar district, followed the next night by a second party, and by the morning of August 9, there were, report said, some 2,500 Afridis in the district, many of them in the gardens south of the city. At 11 a.m. indeed an Afridi actually succeeded in getting into the cantonments. He was shot after firing at a police sentry at the police station on the east side of the cantonments. The same afternoon a cavalry patrol was attacked near a village two miles from the city, and suffered a few casualties. An Indian officer was captured but subsequently released and told to inform his Colonel that the Afridis were engaged in a religious war from which they would not desist until the British Government gave up oppressing its subjects, and released their religious leaders, Mahatma Gandhi and Abdul Ghaffar Khan. At 6 in the evening a gang attacked the mobilisation store depot near the railway station, setting fire to a store-room before they were ejected, and half an hour later there was another attack on a damaged part of the city walls, which was repulsed with considerable loss by the police. Another party succeeded in holding up traffic by damaging the railway line and attacking a goods train.

On the nights of August 10 and 11, there were further attacks on the city wall and the wired in space behind the railway station, but they were again repulsed by the police. There was also some sniping into the cantonments. It is interesting to note that a city shopkeeper was with one of the attacking parties and killed on the night of the 10th. At last on August 12, the Afridis, having suffered a number of casualties and failed in so many attacks, began to withdraw, and three days later the district was clear, except for a small gang of 200 men which had penetrated beyond Nowshera and, though it did no serious mischief, remained a few days longer. Meanwhile, a lashkar of Massozais had been unsuccessfully threatening certain posts in the Kurram

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facilitated the outbreak it is necessary to go back some years. When constitutional changes were introduced in the form of government in India ten years ago, the reforms granted to the rest of the country were withheld from the frontier province owing to the special conditions which prevail in it. This differential treatment, though accepted without question at first, has in more recent years caused some discontent among a small section of the educated classes in the province, who find themselves deprived of the opportunities of office enjoyed by their contemporaries in other provinces, and it has also been taken up as a bone of contention by politicians belonging to the great Indian communities who, for communal reasons, would like to have the same conditions of government in the North West Frontier Province as in the rest of India. The Mahomedans desire it because of the increased importance that would be brought to their community by the numerical strength that they would thereby gain; the Hindus, that is to say, the Congress or National party, because they claim to present a united demand for the whole of India, whether for Dominion status or independent government. Taken as a whole, however, the people of the province neither desire a new constitution nor do they understand the meaning of the impending changes. Even the educated classes themselves are not united in their demands. There is indeed a considerable party, led by the better educated and wealthy Hindus, which looks upon the possibility of any change with the gravest forebodings, and this section has repeatedly demanded that there should be no change which will weaken the existing British personnel or British authority, or deprive them of the sense of security which they now enjoy. Their fears are such that repeated representations have been made by them on this subject to the authorities; and, in 1928, when a party of Hindu members of the Legislative Assembly visited the Frontier as guests of the Government, a deputation of Hindu residents waited upon them and pointed out the difficulties of their position and the in-

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security which must follow any weakening of the executive government. In reply they were informed that, while they had the full sympathy of their co-religionists in other parts of India, they must sacrifice their personal interests for those of the nation.

In so far then as the introduction of reforms is concerned, it would appear that the people of the Frontier have been merely pawns in a game played by others. It is certain that the constitutional question was not the direct cause of the outbreak in the province, nor of the defection of the tribes. All that can be said is that the prospect of impending constitutional changes has caused a general feeling of unrest, which has been further intensified for the last three years by the visits of the Simon Commission, by debates in the Indian Legislative Assembly, and above all by unrestrained and violent articles in the press. The tolerance shown by Government towards the Congress and its repeated complaisance to growing political demands have led to a widespread belief that its control is weakening.

On the Frontier the communal question is not what it is in the rest of India, for the Mahomedans are in a sufficiently large majority to render Hindu domination impossible under any circumstances. The question does not even arise. The Hindu on the Frontier is there on sufferance, in constant fear of Mahomedan aggression, and when the two communities differ it is usually a result of the repercussion of communal disturbances in other provinces. Among the Mahomedans themselves there are two schools of thought, the older generation of orthodox Khilafatists who are opposed to Congress and its doctrines, and the younger school whose ideas are more advanced. The latter were much affected in 1928-1929 by the events in Afghanistan and resented the overthrow of Amanullah, believing it to have been directly due to the evil machinations of the British Government.

Finally, the application of the Sarda Bill, passed in 1929

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—which aimed at the abolition of child marriage among Hindus—to Mahomedans, further increased Mahomedan ill feeling against Government on the Frontier where child marriage, though practically unknown, is permitted by both the Islamic law and religious custom. Mahomedan sentiment, already on the alert and suspicious as a result of the events in Afghanistan, was further inflamed by this apparently wanton interference with their religion, and it hardened against Government. This undoubtedly did much to throw both sections of the Khilafatists into the arms of the Congress. Thus it found the ground already prepared at the end of 1929, when the time approached for its declaration of independence and the inauguration of the mass civil disobedience movement in fulfilment of Gandhi's challenge.

Before the close of the year, then, it was apparent that Congress was making preparations to give effect to its express intention of defying the law, and that these preparations were being extended to the Frontier, where it had hitherto had little following. This extension was made possible by the exacerbation of Mahomedan feeling which was utilised to the full by Congress leaders. Meetings of protest against the Sarda Act, itself a piece of Hindu legislation, were staged and supported by the Congress Committee at Peshawar, and sympathy was extended by the Hindus to their unfortunate and oppressed Mahomedan brethren. The wildest rumours of the forms of oppression which were likely to be exercised under the provisions of this law were set afloat both in the districts and across the border, in the tribal areas. The most offensive of these was to the effect that, before marriage was permitted, Mahomedan girls would be subjected to police or medical examination in order to determine their age. The appointment of certain prominent Mahomedans as office-bearers of the Congress Committees on the Frontier cemented the alliance between the two communities, and thus both joined in the common cause of opposing Government.

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Public meetings for any pretext became more and more frequent in Peshawar city and the treachery and oppression of Government was the favourite, indeed almost the only theme. The enlistment of volunteers for the Congress proceeded apace, the bulk of them being Mahomedans.

Finally, to inflame public feeling still more, arrangements were made to import the most scurrilous newspapers from the Punjab, and to give them the widest circulation in the province. Subsequently four papers modelled on the most virulent of these were started in Peshawar itself. The Press Law, formerly an effective check on seditious publications, had long been repealed, and proscription, the only weapon left to Government, was not only ineffective but even helped to give notoriety to such writings. Deterioration set in so rapidly, and Congress appeared to be so powerful, that by the end of January it was asserted in Peshawar city that the British Raj would shortly disappear.

Simultaneously with this growth of anti-Government and anti-British activity in Peshawar city, an organisation was set on foot in the district to operate in rural areas. The head of this movement was Abdul Ghaffar Khan of Utmanzai in the Charsadda Sub-division, whose name has already been mentioned, and he owed his position to his connection with the Haji of Turangzai who, as we have seen, has taken such a prominent part in stirring up tribal unrest. This association was known as the "Frontier Youth League" or the "Afghan Jirga," and it controlled a volunteer organisation called the "Khudai Khidmat-garan,"* better known in official parlance, however, as the "Red Shirt Organisation," from the colour of the uniform adopted. It was laid down in the rules of this association that the object of the league was to attain complete independence by uniting Hindus and Mahomedans, and by causing a political awakening. The actual organisation which came into being in September, 1929, was of the simplest kind, consisting of a committee of forty persons,

* The servants of God.

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with a working committee of ten. The aim was to establish a district committee in each district, with committees in every subdivision and village. The duty of the village committees, composed of two or three persons only, was to enrol the villagers as volunteers ready to carry out and enforce the orders of the central committee when called upon to do so. The ostensible object of the village committees was to improve social conditions, to discourage violence and immorality, and to deal with complaints and breaches of the law. Thus a boycott was to be put on the courts and a parallel government set up. The system savoured to some extent of Soviet methods, but beyond the fact that one of the office-bearers of the league had at one time undergone a Soviet training, there is nothing to indicate any such connection. Abdul Ghaffar gathered around him a number of lawyers, including office-bearers and supporters of the Congress, but his appeal was more particularly to young men, and the movement rapidly became popular in the rural areas of Peshawar district. Although the slogans adopted were "Long Live Revolution," "Down with the Union Jack," "Up with the National Flag," and even on occasion "Down with King George," instruction was actually concentrated upon the three principles of unity, obedience, and non-violence. In Peshawar district, organisation was the first aim, but by April there was also evidence of revolutionary and anti-British teaching. Abdul Ghaffar Khan twice toured the province in person, accompanied by the secretary of the Provincial Congress Committee (a paid agent) and other members of the Congress, including some lawyers, in order to advertise his Youth League and to establish district branches. Being vice-president of the Provincial Congress Committee he was assisted in his work in each district by members and office-bearers of the local Congress Committees. He proclaimed his association with the All-India Congress which was going to free India from British control, and invited others to join.

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People often ask me to what party I belong (he remarked on one occasion when addressing a public meeting). In my opinion there are no parties in India, and, even if there were, I belong to that party which intends to free the country from the clutches of the tyrant English people, who have not only ruined India but almost the whole Islamic world ; who are responsible for the destruction of Afghanistan, and whose hands are still red with the blood of innocent Afghan martyrs. If anyone opposes my party, then let him suggest another, which may point out to me some way whereby I can release not only Islam but the people of the whole world from the clutches of the cruel-hearted English nation. Oh Pathan brothers, what has happened to you ? Your brethren and neighbours, the Wazirs, who live only ten miles away, have shed their blood in guarding their bare hills from foreign interference, yet you can do nothing for your very fertile country. You should learn a lesson. There is no better jehad from the point of view of Islam than to free your own country from slavery and a foreign yoke.

Could any issue have been more clearly stated ? And this speech was not an isolated example, nor was it delivered at a moment of frenzy, or under conditions which could have explained or made natural a lapse from moderation. It was one of many speeches delivered with a set purpose and the deliberate intent of inflaming the people.

On April 23, 1930, Abdul Ghaffar Khan was arrested under the Frontier Security Regulations with three of the leading office-bearers of his league, and was called upon to furnish security that he would refrain from the dissemination of sedition and be of good behaviour ; but he declined to do so, electing to go to gaol. His last words in court were to the effect that a Government under whose *régime* corruption and injustice flourished deserved to be overthrown. He stated that he had been working for this end and would continue to do so, and that he believed that it was the duty of every Moslem to follow in his footsteps.

The action taken against Abdul Ghaffar Khan came too late. The Youth League had by this time been firmly established in a large number of villages, and its organisation extended across the border into lower Swat. Though declared an unlawful association, it continued to extend

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under the direction of new office-bearers. The villagers, incensed at the arrest of their leader, who, in Peshawar district, had posed as a religious reformer and was accepted by the countryside as their saviour from social and economic ills, collected in mass meetings, held parades and roamed about after dark destroying telegraphic communications and ready for more serious action if the tribes succeeded in penetrating into the district, or if anyone could be found with the courage to lead them. It was the want of a leader, the lack of co-ordination and, in spite of repeated tales of British oppression, the absence of any real grievance or true hatred, that enabled the Government to deal with each incident as it arose and to bring the people back to sanity and a realisation of the destructive character of the teachings that they had imbibed. The steps taken on April 23 to check the spread of disaffection in rural areas synchronised with the action taken against the leaders of the agitation in Peshawar city. Here again, however, the effort to stem the rising flood of revolution was too long deferred. The arrest of popular leaders led to immediate rioting, and was followed by increased propaganda both within and across the border.

III. CAUSES OF UNREST

VARIOUS attempts have been made to find a satisfactory explanation for the defection of the people of the Frontier Province, and for their response to revolutionary teaching. Among the causes suggested have been the wide prevalence of corruption, the costliness and delays of litigation, both of which impose such a heavy burden upon the poor, and the unsuitability of a scholastic education for a people whose needs are chiefly agricultural, and who, in the south-west of the province, live in conditions of dire poverty and distress owing to the scarcity of water. Then there is the increase of unemployment among the middle classes, and the loss of influence and position among the

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upper. But these and other similar grievances could hardly account for a popular revolt, for some of them arise from defects long inherent in our administration, for which a remedy is constantly being sought. There is, however, a growing consciousness of these evils among the people, a readiness to attribute them, and indeed all other social ills, to the British Government, and a belief that they would automatically disappear with the eradication of British rule. They have therefore served political agitators as a text on which to preach revolution.

The creation of disaffection and disorder in the settled districts can clearly be traced to the campaign deliberately organised and carried out under the direction of the Working Committee of the All-India Congress. That fact is established by correspondence addressed to provincial committees by the central body, by action taken in pursuance of the instructions contained in this correspondence and by the public speeches of the more prominent members of provincial and local Congress committees. The extension of disorder to the tribal areas would be a natural sequence of the outbreak of disorder within British territory under normal conditions, for British and tribal territory comprise a more or less homogeneous population, intimately connected by ties of marriage and by a close association of many years. On this occasion, however, the extension of disorder was not left to chance. Relations between the dissatisfied elements in Peshawar city and the Tirah tribes were established in the summer of 1929, when large Afridi and Orakzai *jirgas** visited Peshawar at the time of the preliminary attempts to effect a settlement of the Sunni-Shia† dispute in Tirah, and they were entertained by the Congress and Khilafat committees in the city. Again, in March 1930, when another Afridi-Orakzai *jirga* was sitting in Kohat attempting to reach a settlement of this same dispute, the opportunity was taken by Abdul Ghaffar Khan,

* Tribal council of elders.

† The two great branches of the Mahomedan religion.

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whose activities in lower Swat have already been mentioned, to address the tribesmen, and to advocate unity and the establishment of branches of his Youth League in their territory as well as in British territory. An unceasing propagandist campaign has been carried on by Congress among other tribes both in South and North Waziristan through the instrumentality of theological students, mullas, and other agitators, and vernacular journals, including a magazine in Pushtu published by Abdul Ghaffar Khan in Peshawar district, have been circulated. The dissemination of propaganda has been facilitated both by improved communications and, during recent years, by the influx of money into these districts as a result of road construction. This has enabled the tribesmen to visit the cities in adjoining districts, and they have learned more in this way about political movements in British India and in particular about the civil disobedience movement. Naturally, since it could be defied by the despised Hindu, the belief grew that the British Government was weakening. And when emissaries from Peshawar and other districts brought exaggerated reports of what had taken place in Peshawar city on April 23 and May 31, and spread malicious stories of the way in which religion had been interfered with, of Moslem girls dishonoured and Moslem leaders who dared to protest oppressed, a strong feeling of resentment was aroused. When, to complete the story, it was further alleged that the disaffection of Indian troops and the police showed that the end of the British raj was approaching—for the Government could only rely upon British troops—the opportunity for rebellion and loot seemed too good to lose. No tribal grievances likely to affect the general attitude of the tribes towards the Government have come to light. The revolt can only be ascribed to propaganda, probably, though there is no direct evidence on this point, accompanied by the distribution of money. The factors affecting the Afridis were much the same, except that the propaganda was in their case far more intense. As is

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looked to the spirit which had inspired the movement. They saw the mass of the people being carried away towards radicalism, and as they suspected, not without reason, that the relative moderation of the Opportunists would soon be supplanted by more active hostility, they urged resistance to the law. The Pope, Leo XIII, after hearing representatives of the two groups, decided in favour of the first. The events of the next few years seemed to prove his wisdom, for those were the days when Opportunists and Radicals had no independent majority and no hope of obtaining the solid support of the Socialists. They were driven to court the favour, or at least the neutrality, of the Right. This in itself led to a conciliatory attitude towards the Church, and induced Leo XIII to enjoin on French Catholics acceptance of the established political order. The ten years from 1889 to 1899 were years of peace and of expanding goodwill between the Church and the Republic.

The Dreyfus affair, in which French Catholicism as a whole took sides passionately and almost blindly against the Revisionists, brought about a new alignment of parties in the Parliament elected in 1898. The moderates of the Republican Alliance were driven into the arms of the Radicals and Socialists. Waldeck-Rousseau became the head of the so-called Concentration Government with the support of a majority leaning towards the Left. This was the beginning of a struggle between Church and State in France which was to last for fifteen years (1899-1914).

There were three phases of that conflict.

In the first phase (1899-1902), Parliament, at the instigation of Waldeck-Rousseau, enacted the law dealing with Associations. The objects of the law were to establish under supervision the right of association which had been omitted from the Declaration of 1789 and to apply this right to the specific case of the religious houses. The atmosphere of those days was poisoned and obscured by the smoke of battle, and the law gave rise to violent debates

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and aroused in the minds of Catholics apprehensions which their adversaries often seemed at pains to justify. Yet, to-day, when the dust of these encounters has subsided, we may be allowed to observe that Waldeck-Rousseau, who was both a statesman and a distinguished jurist, only continued and adapted to the circumstances of his time the gallican tradition of the *Ancien Régime*, by claiming for the French State the right to supervise the activities of the religious houses as it supervised those of every other form of association.

On the other hand, in the second phase of the struggle (1902-1906), his successor, Emile Combes, threw tradition to the winds when he changed the law of supervision into a law of exclusion and launched a politico-metaphysical offensive against the Church. We need here only recall the principal events of that phase. Thousands of religious houses were closed, hundreds of religious orders were robbed of their possessions and condemned either to secularisation or exile, even those communities which had been allowed to survive were prohibited from giving instruction. There was the proclamation as the official religion of the Republic of a laicism which made no effort to conceal its anti-Catholic and anti-Christian spirit, then the breaking off of diplomatic relations with the Vatican, the unilateral denunciation of the Concordat and finally the separation of Church and State.

Although this situation continued without any apparent change down to the outbreak of war in 1914, a latent process of evolution had begun with the fall of the Combes Government and even before the final enactment of Separation. Through the efforts of a young Socialist who was then winning his spurs on the field of high politics—M. Aristide Briand—the original draft of the law introduced by Emile Combes was amended in a more liberal sense. From that moment it is possible to trace within the French episcopate a current of opinion favourable to the adoption of a statutory regime which, with all its draw-

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backs—and they were formidable—did at least ensure to the Church in France, henceforth to be disowned by the State, a degree of freedom such as she had never known. It is true that the Pope on this occasion joined the ranks of the party of resistance, condemned the separation law, and forbade the formation of those religious associations which the law itself envisaged for preserving and administering ecclesiastical property. But that Pope was Pius X, unyielding, immersed in mysticism, a stranger to the intellectual subtlety and to the supple diplomacy of a Leo XIII. So, in despite of the Papacy, the Church in France gave way and accepted with dignified courage the conditions of existence which this legislation imposed on her, conditions no less painful from the moral standpoint than they were precarious from the material.

It was not long before courage and dignity attracted to the Church those sympathies which in a generous nation invariably go out to such as bear persecution bravely. A moderate opinion grew up which disapproved the extreme policy of the Combistes and asked only for peace. Parliament was daily more preoccupied with the danger to the nation from without and daily less interested in the religious question. The Courts of Appeal established by their judgments legal precedents in favour of the regular Catholic hierarchy in a series of cases relating to the ownership and use of places of worship. The Council of State took decisions in the same sense, and in 1912, after a campaign conducted by Maurice Barrès, the cathedrals were by decree brought under the care of the Ministry of Fine Arts, and the preservation of most of the French churches was thus assured. Beneath the shelter of this provisional security French Catholicism, now of necessity self-reliant, tried in the furnace, strengthened by freedom, devoted all its resources of energy, patience and perseverance to an effort to win for itself within the Republic that ultimate place to which it considered itself entitled.

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III. THE RECONCILIATION

THEN came the war and *l'union sacrée*. From their enforced or voluntary exile members of religious communities returned in swarms at the call of France in danger. A great number of priests defied the canonical law which forbids them to shed blood, and enrolled as combatants. (The writer is reminded of Maurice Barrès, who told him in 1914 that he had asked Cardinal Amette what view he took of priests serving in the trenches. The Cardinal had replied: "In law there is no defence, but I should be grieved if they were not there.") The bravery of many of them, the dignity and steadfastness of the Bishop of Lille during the German occupation, the devotion to his cathedral of the Cardinal Archbishop of Rheims in the bombardment, the untiring activity of the Cardinal Archbishop of Paris in the organisation of the *Secours National*, the forthright patriotism preached, and so strikingly practised by the French episcopate, often in the face of other suggestions from a Pope who made little attempt to conceal his sympathy with the enemy—all these things combined with the brotherhood of the battlefield to make it unthinkable that on the morrow of victory there should be a return to the anti-clericalism of those years before the war. How could there be any thought of driving out from the soil of France men who had come of their own free will to offer their lives in its defence? How could there be any thought even of depriving them of any of their rights as citizens, above all of the right of teaching? For them, although the "laic laws" might remain on the statute book, no Government having the courage to propose their repeal, those laws in practice would no longer be enforced.

These sentimental considerations were strengthened by considerations of expediency no less urgent. In the first

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place, the return of Alsace and Lorraine into the French family compelled the Government of France to abandon the policy of ignoring the Vatican. The religious status of Alsace and Lorraine was still determined by the Concordat. Under that régime they had lived when they were separated from France, the Germans had respected it and the two provinces had remained strongly attached to it. There could be no question of applying to them by force legislation which had been enacted without their collaboration during the period of their separation from France, legislation, moreover, which the great majority of their population did not want. So, for the time being, they retained the Concordat, with all its implications of continuous contact and permanent co-operation between the French State and the Holy See. But that was not all. The Government wished to facilitate the reassimilation of Alsace and Lorraine into the French family. The remarkable influence of the Catholic clergy in those provinces as the spiritual advisers of the people made it essential that the Government's general policy should win their goodwill, and it was to their supreme head, the Sovereign Pontiff, that Governments were glad to turn, with childlike confidence, for support when they encountered rooted mistrust or hostility amongst the provincial clergy.

A further consideration was the fact that France of to-day had inherited from the *Ancien Régime* a mandate for the protection of Catholics in the Near and Far East, an inheritance which no Government under the Republic had renounced. The most radical of them adopted for domestic use Gambetta's formula "Clericalism is the enemy," but remained loyal outside France to that other maxim of the great tribune "Anti-clericalism is not one of our exports." The Holy See for its part had at no time, even in its fiercest struggles with the Combistes, contemplated any change in the age-long trust held by France in the East, and that for the very simple reason that the relations of the Church with Italy—the only Catholic

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Power which might have been played off against France—were infinitely worse, since she had been robbed by Italy of her temporal possessions, than her relations with France. Shortly before and even during the war, however, signs were observed of a rapprochement between the two Romes; and with the rise of Fascism that rapprochement evolved rapidly towards the full reconciliation which was to be so triumphantly recorded in the Lateran agreements of 1929.* These developments contained the seeds of danger to the Catholic world as a whole and to France in particular—the danger that the Head of the Church, by long tradition an Italian, would devote to the service of Italy an increasing part of the Church's authority throughout the world and would seek to make of Italy, now returned to the fold, the main protector of Catholicism. Here, then, was another consideration impelling France irresistibly towards a policy of agreement with the Vatican.

This brief analysis would be very far from complete if we did not add that from before the war Catholicism was coming back into favour in those circles which had felt the intellectual influence of men like Barrès and Maurras. To such minds, Catholicism was an organic part of our national heritage, it was a school of duty and an instrument of social peace, it was the custodian of those inestimable qualities of spiritual, moral and intellectual civilisation which are being threatened both from within and from without in the world of to-day. To another group of thinking minds the gradual disappearance of the Catholic missionaries, after the legislation of 1901 to 1905 had dried up the sources from which they were recruited, seemed as time passed to be only a clear loss to France and to the cause of French civilisation and French intellect throughout the world.

These considerations led France in 1920 to abandon the religious policy which she had followed before the war. Paul Deschanel, who owed his election as President of the

* See THE ROUND TABLE, No. 76, September, 1929, p. 740.

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Republic to the Catholic vote, at once entered into unofficial negotiations with Benedict XV through the intermediary of the Duc de Vendôme. Some months later, Parliament authorised the revival of the Embassy to the Holy See, and M. Jonnart appeared at the Vatican on May 28, 1921, whilst the Papal Nuncio, Monsignor Ceretti, presented his credentials to the Quai d'Orsay on August 6 in the same year.

As early as May, 1920, Benedict XV would have been prepared to announce the withdrawal of the papal ban on canonical associations which complied with the 1905 law, if the French cardinals had not hastened *ad limina* to impress upon His Holiness that French Catholic opinion was not ready for so precipitate a change. But less than four years later, early in 1924, the efforts of a skilful diplomacy and a tactful interpretation of the texts enabled the Pope to give public sanction to the formation of diocesan associations, working under rules which had been drawn up in Rome and passed by three eminent French jurists as in conformity with French law. This meant reconciliation and the dawn of a new sympathy between Church and State.

The movement then set on foot was not interrupted, indeed its pace was scarcely slackened, by the anti-clerical interlude of the Cartel des Gauches. It will be remembered that in his Ministerial declaration in June, 1924, the head of the Cartel, M. Edouard Herriot, did not shrink from announcing as the three principal aims of his majority the suppression of the Embassy to the Vatican, a return to the strict enforcement of the laic laws and the immediate extension to the re-annexed departments of the legislation which applied to the rest of France. For a moment it seemed as though the days of Combism had returned. But the times had changed. The third point in M. Herriot's declaration provoked a storm in Alsace and Lorraine and put the Bishops of Strasbourg and Metz at the head of the protesting patriots of those provinces. In the rest of France, the other points were the cause of profound

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dissatisfaction, not only, as was to be expected, amongst Catholics, but in wide circles of non-Catholics, who were resolved, for the reasons which we have indicated, not to allow the fanaticism of the radicals to rekindle between Frenchmen those religious quarrels which the war had quenched, or to repeat the political blunder of a breach with the Vatican. M. Edouard Herriot was under no illusions as to the strength of this feeling, and at one moment he had in mind a compromise which would have left a special envoy at the Vatican for the affairs of Alsace and Lorraine after the withdrawal of the Ambassador. This proposal, as might have been expected, merely estranged M. Herriot's supporters without placating his opponents. There was a succession of Catholic demonstrations against the Cartel. Meetings of protest organised by General de Castelnau's National Federation brought together tens of thousands of sympathisers at different points in Alsace and Lorraine, and there was justification for the comment of Father de la Brière that these militant activities of the French Catholics had introduced a new factor to the importance of which the Government could not be indifferent. The Archbishops and Cardinals of France launched an open attack on the laic laws. Strikes took place in the schools of Alsace. Simultaneously with these events the financial position of the country rapidly deteriorated, and there is no doubt that the hostility of Catholics and Conservatives to the Government was not without influence on that deterioration. The landslide in the franc exchange inevitably brought back *l'union sacrée* and terminated the political experiments of the Cartel. The way was open for the development of the rapprochement between France and the Vatican.

One of the most remarkable signs of that rapprochement was the public condemnation by Pope Pius XI early in 1927 of Charles Maurras and the *Action Française* movement. It is true that the condemnation of Charles Maurras was no novelty in Rome. All well-informed

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persons were aware that the Committee of the Index had proposed it in 1914 to the then Pope, Pius X, and that he had confirmed the sentence but decided to postpone its publication, either from a personal liking for Charles Maurras or in view of his services to the Church. *Damnabilis, non damnandus* were the words attributed to Pius X on that occasion. But *damnabilis et damnandus* was the judgment of Pius XI, and he condemned not only the writings of Maurras but the whole political movement which derived its inspiration from them. It is not open to doubt that the works and the political activity of Charles Maurras contain ample justification for the papal ban; and yet this inflexible severity towards the only political opposition which might be tiresome or even dangerous to the Republican régime, particularly when that severity followed without warning on a long period of friendly tolerance, suggested that Pius XI was no less desirous of pleasing the French Government than Pius X had seemed at pains to annoy it. We are bound in fairness to add that this new loyalty to their Government was in all probability enjoined on the French Catholics by Pius XI not solely for reasons of diplomatic expediency but because it conformed to the Pope's personal political beliefs. Although as a general principle the Church has no preference for any particular system of government and can in practice come to terms with almost all of them, the personality of the Pope undoubtedly plays an important part in determining the political leanings of the Catholic world. Pius X hated democracy, even when it called itself Christian, and in 1910 he had condemned the political movement known as the *Sillon*, which M. Marc Sangnier had established for the express purpose of endeavouring to reconcile democracy and Catholicism. Pius XI appears to believe reconciliation not only desirable but attainable, and although he has not withdrawn the condemnation of the *Sillon*—withdrawal is not in the Roman tradition—he has neutralised its practical consequences. The new popular

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democratic party has been formed with his consent, even with his active approval. It has already about twenty members in the Chamber and is the recognised successor of the *Sillon*, whose democratic character it has copied and indeed at times pushed almost to the verge of demagoguery. This change of front will not astonish anyone who is familiar with the history of the Church. Catholicism is not, like Protestantism, a middle-class religion; it is a religion of the aristocracy and of the people, with leanings at different periods more to the aristocracy than to the people, or more to the people than to the aristocracy.

The goodwill so strikingly shown by Pius XI was met by a most significant gesture on the part of the French Government. In the autumn of 1928, M. Poincaré, then President of the Council, introduced into the text of the Finance Bill two clauses, 70 and 71. The first proposed to assign to the newly formed diocesan associations the residue of the church property which had not been liquidated or otherwise dealt with since 1905, while the second authorised the Government to issue decrees with the object of restoring to the missionary communities the right of having in France their legal domicile, their novitiates, their houses of retreat and their powers of attorney. No serious objection was taken to the first of these clauses, which was felt to be the logical corollary of the 1924 agreement in regard to diocesan associations. The second, however, met with lively opposition not only in the country, but in the Chamber and even within the Cabinet. Many parliamentarians repudiated a procedure which they thought alien to the spirit of the French parliamentary system, whilst influential sections of public opinion were apprehensive that all the religious communities might slip through the half-open door in the guise of missionaries. After lengthy debates, Clause 71 was struck out of the Finance Bill, and in its place nine Bills relating to nine specific communities were introduced. These nine Bills were passed by the Chamber on March 14, 1929, but they are still before the

CHURCH AND STATE IN FRANCE

(From a French Contributor)

I. DOCTRINE AND POLICY

WE can only understand the history of the relations between the Catholic Church and the French State under the Third Republic if we keep certain facts always before our minds. We must remember that towards the civil power Roman doctrine has been unchanging, Roman practice opportunist. We must be familiar with the traditional policy of the French State towards the Holy See, with the fundamental ideals of French democracy as they emerged from the Revolution of 1789 and with their radical divergence from the ideals of the *Ancien Régime*.

Rome has always asserted in principle the absolute supremacy of the spiritual over the temporal. Catholic theologians have always claimed for the Pope—to use their own terminology—either the possession of the two weapons, direct jurisdiction in the temporal as in the spiritual sphere, or, at least, the possession of the spiritual weapon, and the use, the free disposal, of the temporal weapon through the intermediary of the political sovereign. The first claim is the pure doctrine of theocracy preached by Boniface VIII, the second is known as the theory of indirect power, and has predominated in the teaching of the later Popes and particularly of Leo XIII.

It would be an exaggeration to suggest that these two forms of Papal imperialism are in the last resort indistinguishable. A power which is finite and even subaltern may still

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be a real power: moreover, the Pope to-day claims supreme authority, not over the temporal sphere as such, but in the temporal sphere in so far as spiritual interests are involved. Yet, since in practice there are scarcely any human actions which have no moral significance, since every type of human activity may, in the words of a contemporary authority, "have some bearing on the good of the soul," and since the Church claims to be the sole judge in that cause, it is clear that the Church's right of intervention extends in principle just so far as the Church itself may care to press it. In other words, as the same authority has declared without qualification, it is "in practice sovereign and unlimited."

This being the Roman theory, in its most moderate form, of the relations between the spiritual and the temporal, it was certain that from the outset the civil power in every Christian country would rise in revolt. It was this revolt of the civil power which, with the awakening of the religious conscience, led in the sixteenth century to the secession of the Protestant communities over half Europe. In the countries which remained Catholic, the revolt may be traced in different forms, violent or passive, systematic or casual. In France, from the earliest years of the Monarchy down to the close of the *Ancien Régime*, this revolt was the inspiration of the doctrine known as Gallicanism, which proclaimed, alike under St. Louis and under Philip le Bel, in the time of Henry IV and in that of Louis XIV, that the King of France recognised no sovereign lord in the temporal sphere.

In theory, the opposition between Church and State seems absolute and irreconcilable. But in practice the Holy See reserved the right to compromise where such action seemed likely to benefit or protect the spiritual interests in its keeping. Given the will to compromise, the subtlety of the Italian mind was never at a loss to find the means. The King of France, for his part, was not unmindful of his immense debt to the Roman Church, for the

Doctrine and Policy

Church added to his power a tinge of mysticism through his consecration at Rheims as an *Evêque du dehors** and thus enhanced his prestige and his authority. The Church, too, showed especial favour to France as her "eldest daughter," and the Church inculcated in the masses the lively virtues of obedience and devotion. On all these grounds, the King tended to be animated by the desire for an understanding and collaboration with the Papacy. Thus the struggles which through the ages arose between the Roman Church and the French Crown bear more resemblance to frontier disputes than to a conflict of principles, and both sides sought in tacit agreement to lay stress, in the sphere of doctrine, rather on the points which united them than on those on which they were divided.

The eighteenth century brought into play a new factor which was destined to transform the respective positions of the Church of Rome and the French State. That factor was the whole body of ideas and passions—confused perhaps and incoherent, but not on that account any less powerful—associated either with the philosophers of the Encyclopædia or with Jean Jacques Rousseau. From the world of ideas, this force was brought by the Revolution into the world of politics, and through varying fortunes became, as we shall see later, one of the twin souls of French democracy, and, indeed, its essence, at times its poison.

The teachings of the Encyclopædists and of Jean Jacques Rousseau are more often divergent than parallel. But in their anti-Catholicism, which derives from quite different sources, they meet in a common negation. The anti-Catholicism of the Encyclopædists, as expressed in the phrase of Voltaire, *Ecrasons l'infâme*, seeks through Catholicism to overthrow Christianity itself and to replace it by a

* A phrase used by Renan which may be paraphrased as "Bishop in the temporal sphere." It expresses the notion that, just as a Bishop at his consecration is appointed to watch over the spiritual wellbeing of the people, so the King at his coronation was charged by the Church with a similar sacred trust to watch over their temporal wellbeing

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form of rationalism run wild, whereas Rousseau appears at first sight to be anti-Catholic for the sake of Christianity, which indeed he claims to be restoring to the simple purity of its beginnings. In fact, he leads direct to a form of Christian heresy which we may call for want of a better name "mystical naturalism." Its essence is the substitution, for the traditional threefold dogma common both to Catholics and Protestants, of man created good by Providence, corrupted by sin and saved by grace, of a new threefold dogma of man created good by Nature, corrupted by society and saved by the return to Nature.

The fundamentally anti-Christian policy of the first Revolution was founded on the rationalist fanaticism of Voltaire, whereas in its para-Christian or pseudo-Christian attitude the Third Republic has sought inspiration in Rousseau's mystical naturalism—not without an occasional excursion into the anti-Christianism of the Encyclopædists. But, whether during the Revolution or under the Third Republic, the struggle between French democracy and the Church of Rome ceased to be a quarrel as to authority or jurisdiction and became a war of principles, almost a war of religion—the clash not of the spiritual and the temporal, but of two spirituals, of a Church and a counter-Church.

Yet any account of French democracy, unless it is to be at once inaccurate and unjust, must look beyond the system of ideas which we have here outlined. Those ideas have on many occasions since the Revolution dominated the organs of government in France, but their dominion has only been achieved by the most determined efforts of a fanatical minority. Although the adherents of that minority have not wearied in their claim to be the only representatives of the true Republic, there has always been an important section of the French nation which has accepted the Republic as a form of government without embracing it as a creed. That section has remained firmly attached or at least sympathetic to Catholicism, and the mere existence of this large Catholic or pro-Catholic element

From the Revolution to the War

has acted as a brake on the anti-Catholicism of the only true believers. There have been other checks on the revolutionary proclivities of the extremists. Any Government which neglects the overriding claims of public order and domestic peace will soon founder in universal hatred or ridicule. Moreover, in foreign policy, a permanent civil service has maintained traditions which preserve for France in the outside world the appearance and the interests of a great Catholic Power.

There are times when all these restraints prove inadequate or ineffective and when the sectarianism of the wild men touches our interests, revolts our consciences, and alarms our patriotism to the point of setting up a reaction which may be bourgeois, catholic or nationalist in turn, or even all these at once. It is then that the true Republic gives way to the good Republic, which is not the appanage of any sect or party, but the common heritage of the nation—the Republic which is concerned rather to continue and to develop than to overthrow or to innovate, which has no ambition beyond temporal government and is glad to leave to the Church the right and the duty of spiritual government, only maintaining with some degree of firmness the political traditions of Gallicanism in the mixed domain where spiritual and temporal meet.

II. FROM THE REVOLUTION TO THE WAR

THE secret of the religious history of France since 1789, and more particularly since 1870, is the alteration, in the control of public life, of the two conceptions of the State mentioned in the last section, the one supported by a considerable majority of the nation, but a majority not easily roused to action, the other represented by a small minority, powerful, dynamic, burning with the desire to convert and to conquer. The anti-Catholic saturnalia of the first Revolution was followed

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by the pro-Catholic reaction of the First Empire, a reaction which continued under the Restoration and the July Monarchy. After a brief reversal during the Revolution of 1848, a new pro-Catholic reaction in the Second Empire survived into the early years of the Third Republic, not merely survived, but prospered, aided by vivid memories of the disasters of 1870 and of the horrors of the Commune.

There is something strange in the strength of this reaction after 1870. At no time possibly, not even in the golden age of the Most Christian Monarchy, has the Catholic Church held so privileged a position in France as during the Septennate of Marshal MacMahon. The Pretender of those days, the Comte de Chambord, made his famous declaration: "To save France, God must reign there as Master for me to reign there as King"—and was thought to foreshadow the early re-establishment of a Monarchy which would be not Catholic only, but Clerical, if by clericalism we mean the intervention, direct or indirect, of the spiritual power in the temporal sphere. It was inevitable that a wave of disapproval should sweep over the most sober sections of French opinion, hostile as they were by tradition to the irruption of religion into politics. Cleverly turned to account by men like Gambetta and Jules Ferry, this sentiment led to the "opportunistic" elections of 1877 and to the enactment between 1879 and 1889 of those laws which again confined the Church within the bounds set for her by the Concordat of 1802 and deprived her of such material extensions of her liberty as the open or tacit connivance of subsequent Governments had helped her to obtain.

In their attitude to the religious policy of the Opportunists, French Catholics were divided. One section was disposed to accept that policy with resignation, taking it at its face value and being prepared to assume that it did not go beyond the strict application of the terms of a treaty which the Church had signed. Others, however,

The Civil War

"cash" victories, and this was no exception. The financial resources of the "Allies" did not compare with those of Nanking; Yen's desperate effort in seizing the Tientsin customs was of no avail. He could hold out no monetary inducements to Manchuria, and it was as much as he could do to maintain his army. The Nanking Minister of Finance, however, managed to keep abreast of supplies and at the same time made Chang Hsueh-liang attractive proposals, and continued to contribute handsomely to the Mukden coffers, which were, incidentally, already swollen with Yen's money. Yen was also doomed to failure in the all important "post-armistice" finance. The chances of the Peking group being able to buy the submission of the semi-independent generals from the interior were remote, whereas Nanking has apparently been able to settle with these "outsiders" and also to take over part of the Kuominchun itself. If in the autumn the military campaign seemed in Europe to be a stalemate, there were already signs in China that, both in politics and in finance, Nanking was winning.

During the whole of this period the war in South China had been going on unabated. In Kwansi and Kwangtung the troops of the central Government fought with varying fortunes against rebels far less formidable than the Northern coalition; but none the less they meant a serious drain of strength in times of crisis. With the Government's victory in Hunan, however, the situation in the South began to clear. The siege of Nanning, which had been the main feature of the campaign, was brought to a close, and Nanking is reported to have ordered the end of the war and a settlement of differences by other means than force.

The "Communist-Bandit" Movement

But in spite of the successes of the Nanking Government in the civil war, the "Communist-Bandit"* movement has grown and prospered. It bids fair indeed to become as

* The words "Communism," "Banditry" and "Red" are used loosely in China and are synonymous with "violent lawlessness."

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grave a threat to the central authority as the Northern rebellion. Along the valley of the Yangtse, in Hupeh, Hunan and Kiangsi, as well as in other provinces, the country is infested by and seldom free from the merciless pillaging of organised Red forces. On August 5 the treaty port of Changsha fell into their hands, Chinese as well as foreign property being looted, burnt and wantonly destroyed. For a month the threat to Hankow was serious. The advancing Communist leader even suggested that a foreign bank should pay a ransom for the city. The Communists are now thoroughly established, their organisation includes fourteen armies, the areas in which they operate are recorded, and their approximate strength as well as the names of their military and political leaders is known. Many of their military commanders are Whampoa cadets; the political leaders are educated students. That the Nanking Government appreciated the seriousness of the threat to its power, and its concern over the success of the fourth and fifth Communist armies operating in Hunan under Generals Chu Ten and P'eng Teh-hui, can be judged by the number of men, said to be 100,000 in all, who were sent under General Ho Chien to cope with the situation. General Ho Chien, though he declares that he has been completely successful, has made little progress, but General Ho Ying-ching, the Generalissimo's Chief-of-the-Staff, is now taking energetic measures, as head of the communist-bandit suppression operations, while General Chiang Kai-shek has himself made a personal survey of the provinces. The use of some of Nanking's best troops, moreover, co-operating with an air force, allayed the danger to Hankow and pacified that area to some extent; but the trouble is still far from being extinguished, as is clear from the growing wave of hostilities on the middle reaches of the Yangtse, where ships are daily subjected to fire from the banks—fire which, dangerous enough when a ship is under way might lead to serious trouble should any mishap befall it in navigating these difficult waters. But for

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foreign gunboats the river would indeed have been closed to shipping ; a curious state of affairs, foreign gunboats fighting China's enemies for her. Communism has even penetrated as far as the capital, though it is to be hoped that the executions, both in Nanking and Hankow, will precede stern measures elsewhere too. The Government is aiming at eradication in three months, but the hold of communism, and the difficulties of this type of warfare, are such that the process may well be drawn out for months. The actual forces of disorder can be dispersed and an era of peace made possible, but eventually the military personnel will have to take in hand the disbandment of its own troops, thus releasing a fresh horde of potential bandits to roam the countryside, for whom, moreover, leaders will not be lacking. Communist risings and the military movements necessary for their suppression may well become a vicious circle. One can only hope that Chang Hsueh-liang's intervention and the end of the civil war have come in time to enable Nanking to avert this menace.

II. REFORM : THE FIRST STEPS

IN October General Chiang Kai-shek launched an attack on the political shortcomings of the Kuomintang. He criticised the system of *tangpus** and deplored the want of discipline in his own party. With this rebuke still fresh in mind, the Fourth Plenary Session of the Central Executive Committee opened in Nanking in the second week of November to discuss the reorganisation of the country and the settlement of its manifold problems. Once again China set out to consider how to put her house in order, and once again many fine resolutions were passed. But such a conclave has seldom met under circumstances more propitious for a start. On November 12 the young Marshal arrived with all the pomp of a con-

* Local Committees of the Kuomintang which interfere with the official authorities.

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quering hero. The leaders of the Nanking party were there, fresh from victory, to welcome him. Titular chief of the three strongest provinces, his intervention had made their victory complete; his continued support was vital. The proceedings began with an exhortation from Chiang Kai-shek, the leader of the party, and he did not mince matters. He called for more vigour and less abuse from his adherents, more of the enthusiasm which had inspired their successes in the early days of the revolution, and less of the traditional indolence and corruption which have hampered government in China for centuries. "Cultivate self-oblivion" was his cry; "work hard for your country and not for yourselves." After this admonition the young Marshal issued a further appeal for peace, laying stress on the difficulties of Manchuria in view of her position between the rival Powers, Russia and Japan.

On the 21st the session closed, and a manifesto was drawn up, declaring, first, that a National Convention is to be called next May, at which representatives from all over the country will be able to explain their grievances, a sure step, if it is actually taken, up the ladder of unification. There is, however, grave danger of the military dictatorship driving the Kuomintang and the legitimate Opposition underground. Secondly, emphasis was laid upon the urgent need for government reform, and wider scope for legitimate opposition within the Kuomintang. Thirdly, it was declared that banditry and communism must be stamped out for good; and lastly, it was agreed that steps must be taken for the relief of the famine areas. This, though a bold and far-reaching declaration, amounts, it may be said, to little more than so much paper, and it must be admitted that Chinese Governments have an unfortunate habit of promulgating law upon law, many of them only destined for some pigeon-hole from the very outset. Hu Han-min, President of the Legislative Yuan, recently boasted that his *Yuan* (department) had been able, within the brief span of two years, to complete laws comprising

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a total of over 6,000 articles. Nanking may, however, change all this, for on the same day as Mr. Hu made his speech, a Chinese News Agency reported Chiang Kai-shek as having said, "If we take stock of what we have done in recent years, we cannot but admit that there is some truth in the general criticism that we only know how to talk, but not how to act, how to draft paper schemes, but not how to carry them out." If the present Government can put some of its good intentions into effect, they may look forward to a period of development and progress such as has never been seen before.

The Four Men of 1930

Chiang Kai-shek has time and again confounded all his critics in recent months. Primarily a soldier, he has won through the most gruelling of struggles, and now he has taken up politics with a will. Three months ago it was the general opinion that he would leave the country ; in case of defeat he would be forced to flee ; in the event of victory he would withdraw on the cessation of hostilities. He would leave the politicians, people said, to work out their own salvation, and live quietly in some foreign country on the proceeds of his supposedly enormous gains. Contrary to expectation, he had no sooner seen Chengchow fall and attended the Plenary Session than he was back again in the saddle, tackling the problem of bandit suppression. His determination and tenacity are proved, and his activity immense. During his recent short stay in Nanking, his outspokenness was beyond all praise ; he has the vision to see the weakness of the Government and the courage to denounce it. His severest critics must admit that he is doing his best to serve his country, and that if his resolve to follow up words with deeds is carried out, China may have turned a corner in the career of Nationalism.

His brother-in-law, Mr. T. V. Soong, the Minister of Finance, deserves as much praise as Chiang Kai-shek himself for the way in which the central Government has

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weathered the storm. In the critical periods of August and September he bore the burden of maintaining the war. It was he who raised the money, floated the loans and faced the creditors. Towards the close he even bought materials for arms and ammunition and concurrently performed the duties of financier, quartermaster and paymaster. For two or three months both foreign and domestic credit depended on him, and there is little doubt that if he had resigned as he threatened to do several times, confidence in the present Government would have been severely shaken. Since the Plenary Session, Soong, too, has been remarkably active, and, like the Generalissimo, he has turned from military to domestic finance with unusual vigour. He has outlined a programme of reorganisation which, if carried out, is bound to have far-reaching effects, and he has an organisation in Nanking which is determined to enforce his decrees. His first measure—the abolition of likin, which for many a year has been a nail in the coffin of trade—will be watched with special interest. Judging from what happened when the coastal duties were done away with and subsequently replaced by a similar impost, the intra-fifty-li duty, it looks as if this reform will take a long time to enforce. The Minister of Finance can, however, be relied upon to make a determined effort to win through where others have failed before him, and the general confidence would be immeasurably strengthened in the Nanking regime if this much needed reform were actually to be carried through.

True to the spirit of the Fourth Plenary Session the Ministry of Finance is endeavouring to organise and unify the finances of the country. New tariffs are to come into force early in 1931, and even though they mean an increase in duty, it will be a tremendous advantage to the trader if he knows for certain what he has to pay, and can forget the uncertainty that always goes with arbitrary exactions.

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Feng Yu-hsiang, the so-called Christian General, is still at large and a menace to Nanking. He has always been a thorn in the side of the central Government. One of the outstanding personalities in China—those who meet him are instantly drawn to Feng. A burly figure with hardy habits and the constitution of a "coolie," his hold over his soldiers is unique. The man's magnetism is shown by the action of one of his doctors, who after being trained and thoroughly Westernised in America, left the peaceful security of a flourishing practice in Shanghai and joined the General in the middle of the discomforts of a campaign in the North. In China few educated men fight for their convictions, and none of them sacrifice assured positions. Feng's whereabouts are unknown, and it remains to be seen whether he will leave the country for good or not ; but it is reasonable to suppose that, broken though he is, if he stays in the North, he will be heard of again.

Young, active and progressive, Chang Hsueh-liang, has still to show himself worthy of the responsible position which he holds. Although he was addicted to certain weaknesses in his youth, there have latterly been indications that, under the steadying influence of his doctors and the responsibilities of his years, his character has grown stronger. His decision to come to Nanking as an envoy of peace was a genuine gesture of goodwill, and while there he committed himself to resolutions which show an enlightened determination to help his country along the road to peace and unity. Whether his zeal will wane when he gets back to the colder atmosphere of Mukden remains to be seen. But there are already doubts whether he will find any way of keeping his undertakings and fears that Mukden and Nanking will not long see eye to eye. Manchuria is more feudal than the rest of China, and it is by no means certain that the lords of the three eastern provinces will agree to the young Marshal's promises. His task is certainly an unenviable one. He not only has his own people

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to please; the responsibility for keeping the balance in the North falls upon his shoulders.

III. FOREIGN AFFAIRS

IN spite of almost incessant civil war there has been considerable activity upon the "diplomatic front" during 1930. With the signature of the Sino-Japanese tariff treaty in May, and the ratification of the Sino-Dutch treaty in November, China has gained complete tariff autonomy. The small area known as the British Concession in Amoy was handed back under an agreement dated September 17, and the leased territory of Weihaiwei was formally restored on October 1, under a convention signed on April 18. New treaties were also negotiated, with America on the question of arbitration, with France about Indo-China and the adjoining Chinese provinces, and with Czecho-Slovakia and Greece on other subjects. The new agreement was signed on September 19 for the disposal of the British Boxer indemnity, under which the bulk of the remitted indemnity will be utilised in the first instance for the rehabilitation of China's railways, though it will be treated as an investment fund for educational purposes, and the necessary legislation has already been introduced into the House of Commons in London.

Upon the cessation of civil war, the National Government redoubled its efforts to secure the abolition of extra-territoriality, and counter-proposals are understood to have been submitted to the British and American Governments, and to be under consideration. China objected to many of the suggestions submitted to her by the British and American Ministers. Dr. C. T. Wong, Minister of Foreign Affairs, has had unexpected success in his dealings with foreign Powers—except perhaps in the case of Russia. He has managed to draw the Powers into diplomatic discussions and to play off one against the other in a way that would suggest, however erroneously, that China is a law-abiding, centrally controlled and united

Foreign Affairs

member of the family of nations instead of a country weakened by the ravages of civil war. But the questions of Sino-Russian and Sino-Japanese relations in Manchuria, undoubtedly among the most difficult problems that confront China, remain, and the breakdown of the prolonged negotiations at Moscow arising out of the attempted seizure by the Chinese of the Chinese Eastern Railway, has brought the Sino-Russian question once more sharply to the fore. The Chinese representative, Mo Teh-hui, has returned to Manchuria *re infecta*, the Soviet Government having utterly declined to limit the scope of the conference, as desired by the Chinese, to the settlement of the outstanding questions about the railway, and insisted upon a full-dress discussion of all the matters at issue between the two countries.

The rapid collapse of Chinese resistance on the Manchurian frontier to Russian armed intervention in defence of their rights in the Chinese Eastern Railway has greatly strengthened "Red" influence, particularly at Harbin, the headquarters of the railway administration, and the result has been the wholesale dismissal of superfluous—i.e., non-Communist—Russians from the railway service. The Red penetration of Northern Manchuria is, moreover, being relentlessly pursued, and it is difficult to see how, in the long run, the Chinese authorities with their poor organisation, their inferior troops, and, last but not least, their venal habits, can hope to stem the tide and prevent this rich territory from going the way of Mongolia.

In the South, the Japanese are beginning to feel the pinch. A network of Chinese owned railways has during recent years been spreading on either side of the South Manchurian Railway, and even penetrating the grain-producing districts of the Chinese Eastern Railway zone, with the result that receipts have been greatly reduced, and the revenues of the South Manchurian Railway seriously impaired. The unfriendly attitude of the Chinese

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in Manchuria, due in part to the exaggerated national consciousness now prevalent throughout China as a consequence of intensive Kuomintang propaganda, is rendering the position of the Japanese increasingly difficult, and it remains to be seen whether they will allow, or can afford to allow, themselves to be frozen out of the country altogether. At the time of writing, negotiations are reported to have been initiated between the Chinese and Japanese railways, and the community of interests is such that they might well result to-day in a political pact of wider scope. The task before Mukden is certainly one of extreme difficulty and delicacy, and it remains to be seen whether her leaders possess the qualities of statesmanship which are necessary to maintain her position not only in Manchuria but in the larger political sphere of China proper.

Conclusion

On the surface the outlook in China is brighter than it was six months ago. The Nanking Government has made a more promising start than any of its predecessors, and it has now won through the most serious crisis which has yet confronted it. At its head there are several men whose activities ring true, and they have the support of the most powerful factor for peace—Manchuria.

But below the surface the country is still hampered by the same old fundamental defects—dishonesty and corruption. The great majority have, of course, still to learn the conditions which a people must realise in order to govern themselves. In the spirit of nationalism, the negative element of anti-foreignism is still too strong. But a few who are learning what team work and capacity to take responsibility mean, may in due time leaven the vast lump of China. In the present situation there is food for a tempered optimism.

China,

January 1931.

The Exportable Surplus

of employment, it can only have the effect of arresting the expansion of the body of American consumers, upon which the expansion of industry itself was so largely founded.

But what are the implications of an international trade policy? They are far-reaching and subversive of many rooted American tenets. They involve the whole question of trade barriers, the whole question of international credits, and ultimately the whole question of peace and disarmament. All these implications are plainly stated by Mr. Owen Young in phrases of unanswerable simplicity.

How can we market these surpluses? (he asks). The method is well known. Those who need our goods are the potential buyers. One cultivates his potential buyers. He does not rebuff them. He seeks their friendship and goodwill. Is that the attitude of America to-day toward her potential buyers? Are we creating good will or bad will in the countries where they live? Are we extending them credits through our financial machinery? Are we co-operating with them politically in order that they may improve their condition? I venture to predict that we must do so, if we are to conserve our economic structure, not as a matter of charity but of self-interest.

Coming from such an authority in the financial and industrial world, these are words of great significance. Moreover, they are not the words of a prophet just crying in the wilderness. They are finding an echo in many unexpected quarters. Large sections of business were always hostile to the tariff. As export trade declines they are being steadily reinforced; but it is hard for a Republican Congress to disown its principal achievement within the space of a few months. Faith is placed in the discretionary action of the Tariff Commission, but its powers are limited. It cannot view the tariff as a whole. It can only amend specific rates, each of which must be judged in the light of the immediate interests involved, not in that of the general commercial well-being of the nation. Not much modification can be expected from this quarter. In the meanwhile American goods will find their markets

The United States in the Great Depression

in Canada and in Europe shrinking, and American capital will leave American shores to found factories in Canada and Europe, thus increasing the toll of unemployment in the United States. Canadians and Europeans will not have any ground for excessive rejoicing on this score. They will simply be buying dearly what they might have bought cheaply. It would have profited everyone if America had allowed other countries to sell more freely to her and so enabled them to buy more freely of her. But perhaps the very exaggeration of protection will produce its own reaction and restore the world to fiscal sanity.

Failing tariff reduction, there is the alternative of credits. If they were flowing more freely out from Wall Street, they might maintain America's foreign custom in spite of the tariff. In Mr. Young's view "either international credit and finance must be developed to a much greater extent than now, or our tariff will have to go, if we wish to sell our agricultural and industrial surplus abroad."

American exports can only be effected if they are balanced by American payments. In 1929 exports of merchandise exceeded imports by \$841,000,000. So far from this surplus being met by the export of American credit, new investments abroad were balanced by equivalent investments in the United States. Moreover, apart from other creditor receipts, the United States Treasury has to accept some \$200,000,000 a year in respect of war debts. In 1929 this sum was mostly paid in gold, of which the imports exceeded the exports by \$120,000,000. America did not want this gold and did not ask for it, but she had to take it, as there was no other way in which her claims could be met by her debtors. Is it really an asset? Is its storage in the Treasury vaults strengthening or weakening the will and the ability of foreign customers to purchase American goods and maintain American industry? Is its accumulation, causing a maldistribution of credit and currency, which is choking the channels of American trade abroad, now essential to the marketing of

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ner surplus production? Are these channels likely to be further silted up by the barriers raised by and in answer to the new tariff? In other words, can a creditor nation, which at the same time has an exportable surplus, afford to collect all its debts and to maintain a high tariff wall at the same time?

These are some of the questions which are being canvassed in widening circles of American business and finance. The pre-war position of the United States has been completely reversed. Instead of a debtor she is now a creditor. Instead of being self-sufficient she needs outlets, not only for her foodstuffs and raw materials, but for a growing volume of her manufactures. Her trade policy, however, has not been adapted to these new circumstances. It will not be easy to reverse in the face of habits of protectionist thought, which have become almost congenital. As an alternative there is the method of aiding debtors and customers by giving them extensive credit facilities. But at this point the frontier between economics and politics is reached. Like most frontiers it is invisible, for they are unfortunately inseparable.

VI. TRADE AND POLITICS

NO one lends money unless they believe that they have good security for recovering principal and interest. But when Wall Street looks at Europe, or China, or India, or South America, the prospect is not inviting. As long as American money was available to Europe, its wheels continued to turn and its internal condition was relatively stable. In 1928 no less than \$672,000,000 were lent to Europe. In 1929 there was a sharp drop to \$156,000,000.

The drying up of American credits soon began to produce political consequences in Europe, particularly in Germany. No doubt it was impossible for the German people to continue borrowing indefinitely at high rates of interest.

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But they had already lost a large part of their capital through war and inflation. They had also paid some £613,000,000 in reparations. They had still to pay £80,000,000 or more every year under the Young Plan till 1985. Without foreign loans it was impossible to keep the industrial machine working. From the early months of 1929 business began to decline and unemployment to increase. By September, 1930, when the elections were held it had reached a figure of 3,004,000. One of the direct results was the startling growth of the Hitler party with its advanced social demands, its repudiation of the war indemnity and its demand for the disarmament of other countries promised by Article 8 of the Treaty of Versailles. At the same time the Communist vote swelled ominously, and would certainly have been much greater had not Hitler overtrumped the Communist programme. These events sent a shiver of alarm through France. They increased the nervousness already abroad in Europe owing to the tension between France and Italy, the mistrust of Italian designs in the Balkans, the bickerings between Germany and Poland, and the simmering of the Spanish cauldron. Rumours of war, based on fear rather than any rational calculation of the realities, ran through one country after another during the autumn. They were broadcast in the American press and froze the pocket of the American investor. There was little chance of floating European loans in such circumstances. The prospects in other parts of the world were not much more alluring. The rehabilitation of the Chinese and South American markets would give an immediate stimulus to the business of the United States, but civil war and revolution are anathema to the financier. However anxious Wall Street might be to use its money to assist the restoration of other countries, and so to hasten the recovery of the United States, it was powerless in the face of so much political turmoil and uncertainty abroad.

The conclusion is inevitable and it is slowly penetrating the American consciousness. America cannot be a world-

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power in the economic sense without becoming a world-power in the political sense, with all the obligations and responsibilities which that status involves. As one American writer pithily expressed it : *

We are trying to run a twentieth-century industrial world with eighteenth-century political ideas. . . . The United States continues to live in the intellectual atmosphere of Jeffersonian individualism. Its administrative system is roughly the same as in days of Jackson. Its philosophy of international relations is inherited from Hamilton. It repeats the Declaration of Independence as if nothing had happened since 1776. . . . It does not see—at least it will not admit—that the advice contained in Washington's farewell address is as obsolete as the stage coach in which he rode from New York to Philadelphia.

And yet, under the pressure of depression, American psychology is undergoing real, if slow, transformation. As has already been suggested the doctrine of individualism is losing its magic. The old free buccaneering days, in which every man fought for himself and the devil ruthlessly took the hindmost, are gone for ever. There is now a social consciousness developed which is imposing all kinds of administrative limitations on unfettered competition. The State is now intervening more and more for the protection of the farmer and the worker—of the former by guaranteeing him stable prices, of the latter by restricting the employment of women and children, by fixing compensation for accidents and by acknowledging the duty of succouring him in unemployment. Moreover, the more far-sighted employer welcomes rather than resents such interference, as he realises that good conditions are necessary to production and contentment in an industrial democracy, just as he believes in high wages as the foundation of his home-market. Again, business itself is demanding the means of restricting cut-throat competition by regulating production to reasonable levels. Rationalisation itself is in need of rationalisation. In the face of a growing overseas

* Mr. Raymond B. Fosdick, *Companions in Depression*, November, 1930.

The United States in the Great Depression trade the philosophy of high protection is being subjected to a critical re-examination. Wrestling with the problem of selling their surplus production abroad, the farmer and the manufacturer are beginning to wonder whether the exaction of debts from their customers is a good introduction to happy business-relationships. Anxious to promote the general recovery of prices and confidence, the financier is aware of the paramount necessity of peace and the difficulty of ensuring it without active American participation in the solution of the world's problems.

In a word, the old bottles will not hold the new wine of prosperity. An era of unexampled progress has been brought to a summary end. It was the final flourish of individualism and isolation. A new period is now beginning in which prosperity will be gradually rebuilt, for the foundations are firm, but by methods based on the needs of the new world rather than the habits of the old. The scope of this fresh effort and the conditions of its success are once more lucidly defined by Mr. Owen Young, whose words are a fitting summary of this interpretation of America in the great depression :—

“When our political policy in international affairs becomes co-operative in spirit, which need not involve us in entanglements or alliances ; when our economic policy looks to the economic development of the world as a whole and the improvement of living standard and consuming power of peoples everywhere ; when our tariffs and our treaties are made to evidence this spirit ; then we may hope for effective plans for farm relief, for reduction of our surplus of raw materials and manufactured goods, for relief of unemployment, and for what is most important of all, a better spirit of all nations toward us and toward each other. That means peace, and peace thrives in a world of contentment and mutual welfare. It cannot live in a world or in a nation where there are great inequalities and injustices caused by man-made barriers.”

CHINA: A BRIGHTER OUTLOOK

I. THE CIVIL WAR

THE September article from China in THE ROUND TABLE ended on a note of hope. "Peace is in the air to-day, though no one can bring her to earth."

During March, April and May, the central Government, under the leadership of Chiang Kai-shek, ably backed by his Finance Minister, T. V. Soong, had battled with the two Northern "rebels," Feng Yu-hsiang and Yen Hsi-shan, and by the middle of the summer, both sides had weakened considerably. It became imperative that they should seek outside assistance or perish in chaos.

The fortunes of the Nanking Government were at their lowest ebb in June and July. Intensive attacks upon the Kuominchun in the Lung-hai sector failed before a stubborn resistance, and the loss of Tsinanfu on June 25 was not only a tremendous blow to Nanking's prestige, but threatened to add to the number of its opponents. For General Han Fu-chu, after evacuating the city, expressed his unwillingness to do any more fighting, and General Liu Chen-nien, at Chefoo, appeared to be about to throw in his lot with Marshal Yen. During July, too, the Lung-hai drive had temporarily to be abandoned, while Nanking's armies were regrouped for a decisive advance up the Tsin-pu railway. Early in August, however, Tsinanfu was recaptured, the Shansi army which was defending it putting up a very poor resistance. The retreating troops seemed indeed to be demoralised and drug-sodden, and they suffered enormous losses in personnel and material when the town was retaken. Their rout exposed the flank of the Kuominchun on the Lung-hai railway, and convinced Feng Yu-hsiang that reliance upon the assistance of his Shansi allies was futile. The Kuominchun began to withdraw westwards towards Loyang.

At this juncture, when the tide of battle turned, Chang Hsueh-liang, the Manchurian leader, moved. On September 18 he issued a characteristically Chinese circular

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enjoining all and sundry to make peace. This decision of the young Marshal's followed a council meeting of all the Manchurian leaders including Chang Tso-hsiang, sworn brother of the old Marshal, Chang Tso-lin, and to-day the hand behind the throne in the three Eastern provinces. For a week military and political advisers had been in conference on what should be their official attitude in the conflict. The time had clearly come for an announcement, and Chang's telegram was the result of their deliberations, though he did not get his way without considerable opposition from the "Old Guard." As is frequently the case in such exhortations, the points of immediate importance remained ambiguous and, even during the third and fourth weeks of September when Fengtien troops were moving south along the railway to Tientsin and Peking, the world at large was still in the dark as to the side on which Manchuria had finally entered the arena. Previously to this the central Government had formally appointed Marshal Chang "Vice-Commander of the national army, navy and air forces" but in spite of Mukden's nominal adherence to the Nanking cause and of the constant rumours that they had agreed to come in on condition that Nanking secured certain military successes and, of course, made it worth Manchuria's while financially, people had come to doubt their sincerity, for not only were they very slow in declaring their hand, but the rebel allies, whose propaganda grew daily more insidious, firmly contended that their "court-ing" had met with success, and that it was on their side of the stile that this eligible young man had jumped.

The period was a critical one, for there was more than idle chatter in the rumour that, should the offensive against Tsinanfu fail, Nanking would withdraw to a defensive line to recuperate and leave her enemies an opportunity of wasting their strength on a probably fruitless attack. The immediate cause of the Manchurian move was, however, undoubtedly the success of the Government forces at Tsinanfu followed by the Kuominchun retreat on the

The Civil War

Lung-hai and Kinhan fronts. Though Chang Hsueh-liang was actuated by a lively desire to see peace brought to China, the exact moment of his entry into the struggle was the work of his astute councillors. He came in at a time when it was reasonably sure that Nanking could not be defeated and yet was sufficiently exhausted to be amenable to counsel from Mukden.

The visit of the young Marshal to Nanking resulted in a great increase of prestige for the central Government. The other Manchurian leaders, however, it is rumoured, are by no means satisfied that sufficient material advantage has accrued to them from the support given to Nanking during the later stages of the civil war. The prolonged stay of the young Marshal at Tientsin after his visit to Nanking, although ostensibly due to the necessity of solving the problem of the rehabilitation of Shansi and the north-west, is in some quarters attributed to his reluctance to face the reproaches of the political clique in Mukden of which he is little more than the figurehead. The hurried visit of the Minister of Finance to Tientsin, followed by that of the Minister for Foreign Affairs, was presumably not unconnected with the financial and political aspects of the Manchurian problem.

Thus it came about that the end of September was the decisive phase in the war. Yen, apparently realising that his army had ceased to be a fighting machine, decided to withdraw from the Tientsin-Peking area, and the bugles of his retreating armies had hardly faded in the distance, when the trains carrying the Fengtien soldiers made their way into the Northern capital. The transfer of control was made with an ease, moreover, that suggests, what subsequent happenings tend to confirm, that the art of compromise is still an essential factor in Chinese warfare. It was some weeks, however, despite Nanking's claims of Manchurian support, before the Fengtien troops were declared to be on the side of the central Government, during which time the Nanking offensive along the Lung-hai front was con-

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tinued with increasing success. The strategic points of Lanfeng and Kaifeng, the capital of Honan, were recaptured, and the fall of Chengchow, long an important objective, on October 6, closely followed by the capture of Loyang on the 11th, brought the campaign to a virtual finish. Feng seemed just to fade away and Yen withdrew into his Shansi stronghold, publishing a circular as he went, in which he accused the South of using poison gas, and stating that because of this he felt it his duty to retreat in order to spare the people further horrors of war. An article in the London *Morning Post* on September 10 represented the situation in China as a stalemate. Far from this, it was the beginning of the end, the turning point when the causes of victory and defeat began to come to light. The biggest factor in the fighting strength of the North was General Feng himself, a man whose character and determination acted as a spur to the Kuominchun in the face of every disadvantage.

"Chiang Kai-shek will give up and go abroad as soon as he gets a chance," the South had been saying, but the Generalissimo has proved himself a man with qualities far above those of the ordinary war-lord. His determination was equal to Feng's, and for weeks on end he remained at the front, directing the operations in person. The commanders of the two opposing armies indeed matched one another well, and with Chiang rests much of the credit of victory. The central Government forces were probably the better equipped, and, moreover, they had the advantage of expert foreign military advisers. This, combined with a stronger financial position, gave them the real advantage. During the autumn it began to be clear that the Northern coalition was failing and Nanking gaining. On the one side Yen Hsi-shan and Feng Yu-hsiang were growing weaker and further and further apart; on the other side the Nanking Ministry of Finance held on gallantly and gave the support which finally enabled the Government to overthrow its enemies. Most wars in China close with

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and some types of machinery held their own or improved their position.

The inevitable result was widespread and acute unemployment. No precise figure is available in the absence of any reliable statistics. The estimates vary from three to six million with the probabilities inclining strongly towards the latter rather than the former figure, while the number of workers on short time likewise runs into several millions. The American Federation of Labour estimated that 22 per cent. of its members were workless in December and anticipated a higher percentage in the early months of this year. Colonel Woods, the chairman of the President's Emergency Committee on unemployment, stated in November that there were about 1,000,000 out of work in the building and automobile industries alone. The New York State Department of Labour's index of factory employment for the same month showed a drop of 20 per cent. as compared with the average of the years 1925-1927, the lowest figure recorded since the index was started in 1914. These statistics cannot claim any great scientific accuracy, but they are sufficiently indicative. Indeed, scientific accuracy is not of great moment, as the fact of widespread distress is only too patent in every great American city. The local authorities are acting with energy in speeding up public works, raising money and improvising organisation to deal with the hundreds of thousands who are literally without food or clothing and with the thousands who are without shelter. New York has already raised \$8,000,000, but the unemployed are believed to number from 600,000 to 800,000. They may be seen at every street corner selling apples, bread-queues are scattered all over the city, men of all social ranks, including lawyers, doctors, bank-clerks, and stock-brokers, are sweeping the parks for \$15 a week, for in addition to industrial unemployment there are many thousands of "white-collar men" stranded who have been ruined by the crash or lost their jobs as advertising agents, dealers,

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salesmen, clerks or shop assistants. Chicago is preparing to deal with 400,000 workless with a \$5,000,000 fund, Philadelphia with 150,000, Detroit with 100,000, and so on through every industrial city. There is no want of zeal or generosity in coping with the problem, but at best emergency organisation is sporadic and uncertain in its operation. It only touches those who are ready to confess destitution and to accept charity. It draws accumulations of unemployed into the great centres, where large relief funds have been collected. It does not prevent a vast amount of open and unrelieved suffering. Though our own insurance system has serious defects, no one who has seen the American situation at close quarters will think that even to subsidise a certain number of shirkers is too high a price to pay to prevent the destitution and demoralisation of hundreds of thousands of respectable men and women whose only crime is that there is no work for them. In these circumstances it is not surprising to find that Governor Roosevelt is convening the Governors of the five industrial States around New York to discuss *inter alia* unemployment insurance, in favour of which he has already pronounced in principle, that Senator Wagner has introduced a Bill for an "American plan" of unemployment insurance into Congress, that the heads of many big businesses are convinced that some system must be devised to meet an industrial disease that threatens to become chronic.

One other shadow has to be sketched into the picture to make it complete. The farmers' situation has not been good for some years. It is now worse. The fall in the price of most agricultural products has brought many of them into a precarious position. In his Message to Congress, the President pointed out that wheat and cotton had lost 40 per cent. of their value of two years ago. He claimed with justice that the position would have been much worse without the action of the Federal Farm Board in bolstering prices to levels higher than those prevailing

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in Winnipeg and Buenos Aires, and in giving financial assistance to the co-operatives. This audacious experiment in State regulation of industry is certain to cost the tax-payer very large sums of money, but it has probably stalled off a really catastrophic situation in many farming districts. Even as it is, there is dire distress in some of those hardest hit by the drought. The Senate has taken the view that to leave the Red Cross "to relieve the cases of individual distress by the sympathetic assistance of our people" was not enough. A good deal of debate has been expended in finding ways of giving the money asked by the Executive "for the purpose of seed and feed for animals," as direct relief to the farmer who is without feed himself, but only in such a way as to avoid violating the sacred principles of individualism or creating what might be called a "dole"—an academic discussion to hungry men, but characteristic of American evolution towards collectivism. There can, however, be little doubt that the evolution is happening. For the first time in American history it is generally admitted that society and industry have a responsibility towards the unemployed. In the old days every man shifted for himself, and if he starved it was no one's fault and no one's affair but his own. Industrialism has created the sense of collective responsibility, because no city can ignore the presence of thousands of hungry men in its midst. Industrialism has also created not only high wages, but the expectation of high wages almost as of right. One result is the great effort now being made by the Federal, State and municipal governments to finance and further public works, to organise relief and to stimulate private generosity. Another and more far-reaching result will probably be a changed attitude towards social problems on the part of the American voter and hence of the American politician.

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II. THE CAUSES OF THE CRISIS

THE present state of affairs in America is not rosy, but its importance lies not so much in its intrinsic seriousness as in the lessons it conveys. The foundations of American economic strength are solid. The country will emerge from this crisis as it has emerged from others and continue its onward march, but the depression may have effects on the rhythm and direction of its march and is certainly having a considerable influence on the world depression as a whole. The general crisis is due to a complex of causes, some of national, others of international origin, but every large country has made some contribution to it. Those in power everywhere are glad to be able to wash their hands of responsibility by referring their troubles to "world causes." But these "world causes" are themselves to a large extent the combination of a series of national maladjustments and mistakes. The world's economy is so far a unit that malaise in one country has its repercussions, greater or smaller, throughout the globe. When malaise exists in so huge an economic entity as the United States, its repercussions are bound to be considerable. It may, therefore, be worth while to attempt to elucidate some of the factors which have led to the American collapse and to estimate how far they may be said to have international aspects and international consequences.

In the first place some of the internal weaknesses of the prosperity structure deserve careful attention, as they suggest not only some modification of the anticipated lines of American development, but also some teachings for other countries treading the industrial path. The most obvious of these weaknesses was the stock market boom, which, in Mr. Hoover's words, "diverted capital and energy into speculation rather than constructive enterprise." Perhaps nothing quite like it has been seen since the South Sea

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Bubble. When it burst, thousands in every walk of life were ruined, and many who were not are still restricting their ordinary living standard in order to pay off borrowings to the bank. A similar influence is the reduced consumption of those who bought luxuries of all kinds on the instalment plan. It is claimed that the system has justified itself, because losses and repossession have not largely exceeded normal levels. But a great deal of extended credit is certainly being given, because the repossessed goods would be unsaleable, and in any case those who are still paying off their indebtedness are often doing it at the sacrifice of normal expenditure on other articles. Yet another cause of under-consumption, which enormously reduced business and left the shops even on Fifth Avenue half-empty during the Christmas season, was the fear of those who had money to spend it, lest they should lose their jobs next week or business should take an even worse turn. In the absence of any system of social insurance, the worker who is still employed hearkens to the voices of banking wisdom exhorting him "to save for a rainy day" and ignores the contradictory slogan of the salesman, "Buy now," which has been launched in the hope of reviving purchasing and confidence. Even men and women who are in no danger of losing their ample fortunes are infected by the wave of anxiety and prefer "to keep their money for the present." This psychological element in the situation is very potent. The President has more than once denounced the "unnecessary fears and pessimism" which are aggravating the crisis.

Finally, there is the tremendous loss of income due to unemployment itself. It is calculated that the income of the workers has declined by 20 per cent.—something like \$9,000,000,000 a year—to which must be added the impoverishment of the farmer through the slump in the quotations of his staple products unbalanced by a corresponding fall in general retail price-levels.

All these factors are enough to account for the tremendous decline of production since 1929. Some of them are

The United States in the Great Depression temporary, and will pass away with the gradual recovery of trade, but others suggest that the 1929 level of production and consumption was to some extent fictitious. American industry had reached a state of over-production, which could only be kept alive by artificial stimulants. Hazardous profits on speculation, "high-power salesmanship," anticipation of income through instalment buying enabled the pace to be maintained a little longer than would otherwise have been the case, at the expense of a more precipitous collapse when the inevitable reaction set in. It is therefore now generally admitted that there can be such a thing as overproduction in the sense that American industry is geared to produce far more of many articles than the American public can possibly consume. In spite of abundant currency and credit and high wages there was a limit. In a sense the very facility of production defeated its own end. More and more machines turned out more and more things with fewer and fewer men employed. Illustrations may be found on every hand. Within five years one workman was enabled to turn out ten times as many tyres, which lasted six times as long. Where hundreds of operatives would have been formerly employed, glass now automatically flows out in an endless band with a few men to check the temperatures of the furnaces. A similar process has been successfully applied to motor car chassis. If only 14·5 per cent. of the boot factories were operated full time, they would produce 95 per cent. of the total production, thus crowding out most of the other establishments. The automobile plants of the United States produced 5,358,420 vehicles in 1929, and almost certainly were not working to full capacity. The steel plants were rated to produce 62 million tons, yet in that altogether exceptional year they only turned out 56 millions. In almost every industry unrestricted competition, working through constantly improving machinery, has created a productive capacity in excess of any normal requirements of the home market.

Machinery and Employment

Three questions of considerable importance are now being widely discussed by Americans as the result of this experience : (1) How can the effects of mechanisation on employment be mitigated ? (2) How can production be kept within reasonable limits ? (3) How can the surplus be disposed of, when the home market is satiated ?

Each of these questions is of more than American importance.

III. MACHINERY AND EMPLOYMENT

IT has always been admitted that the displacement of labour by machines has in the short run created unemployment, but the economists have always consoled the man who has lost his job, and whose skill may have become totally unsaleable, by the assurance that he will sooner or later secure other employment, and that in the long run the world will be richer and happier. The first of these comfortable words is only very partially true. The younger man will usually succeed in finding new work, though often at lower wages or in some less desirable occupation. The older man will usually descend to a lower level, if he is lucky enough to get a job at all. In the great majority of cases a more or less prolonged interval is inevitable, and in the absence of any organised provision against unemployment is apt to involve considerable hardship. That the world will be ultimately richer and happier has been proved by the history of the last century, but at no period has the displacement of labour been so rapid as in the last ten years. It may therefore be asked whether there is not a mean to be observed, whether the ultimate blessings are not bought at too high a price of immediate hardship, if efficiency in production proceeds at too vertiginous a rate. In the United States the output per factory worker was increased by 45 per cent. between the years 1919 and 1929, yet instead of this producing an increase in the number

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employed, as had been the case in every previous decade of American history, there was an actual decline of nearly 10 per cent. The factory population had in fact decreased by 900,000 in spite of an enormously increased output. It is not known how far those who were turned off succeeded in obtaining other work. The estimates of normal unemployment in America vary from one to two millions. No doubt many of these men were absorbed in building or in satisfying new needs—garages, pumping stations, cinemas, selling services, restaurants, and so forth. When wealth is expanding new avenues are opened up in connection with luxury trades, but these are the first to suffer on a falling market. It is hardly open to doubt that the present number of unemployed would be very much less formidable, if mechanisation, mergers and managerial efficiency had been promoted at a more gradual speed.

If under present conditions industry can expand not merely without increasing its working force but actually by diminishing it, the same thing is equally true of agriculture. The "combine" and the tractor have revolutionised rural life in the United States and Canada. Harvest labour is no longer required, while the small farmer is progressively unable to compete with the cheaper costs of large farms operated by machinery. As a direct consequence there has been a cumulative loss in the American farm population of 3,000,000 persons since 1920.* A large proportion of them have been driven by economic pressure into the cities as wage-earners at a time when industrial employment was also shrinking. Again, if they were still on the land, the problem of urban employment would be far less acute. Yet wheat and cotton are also glutted. The American, particularly the American woman, eats less bread and wears less clothes. "Slimming" and unsubstantial raiment coincided with the farmer's offer to produce more and cheaper flour and textile material by the most up-to-date scientific methods of cultivation and the

* *Recent Economic Changes in the United States*, vol. ii, p. 471.

Restraint of Production

best modern machinery. There was in fact over-production in the factories and over-production in the country, and simultaneously under-employment in both.

These facts are giving rise to speculation in the United States which is not irrelevant to other countries where the inevitable process of rationalisation is proceeding. Is it not possible that too much of the industrial product may be assigned to return on capital expended on machinery and too little to that expended on wages at any given moment? Is it not better that improved methods should only be introduced at such a speed as will enable the total number of workers to be approximately maintained, or even increased, as was the case in previous decades? If this is impossible, must not society and industry undertake to protect the displaced worker during the painful process of transfer by some system of unemployment insurance? This obligation has already been recognised by the establishment of company systems, as in the case of the General Electric Company, or by the payment of a "dismissal wage" as in the case of the United States Rubber Company, Hart, Schaffner and Marx, and other large firms; but it is being increasingly felt that some more comprehensive measures are indispensable to cope with so widespread an evil as "technological unemployment." It may be anticipated that legislation to this end will be passed in more than one State of the Union in the next ten years, and that it will have the support of "big business," which is already giving a lead in places, and whose interest will be to bring the small employer into line.

IV. RESTRAINT OF PRODUCTION

A FURTHER question is also troubling the American business world—whether the unrestrained multiplication of productive power is not a danger to capital itself, quite apart from its effects in displacing labour. Every

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fresh invention, every new process, is a temptation to some new industrial adventurer to enter the lists and to seek the ruin of all competitors by producing more swiftly and cheaply than they can. This, again, is, of course, nothing but the normal procedure by which industry has progressed in the past; but it seems to have outrun all reasonable bounds under modern conditions, in which scientific discovery in the physical, chemical, mechanical and electrical fields is moving forward with such unprecedented range and momentum. The unlimited possibilities of rapid improvement render every new process liable to be outstripped and reduced to an anachronism in a few years. It is significant that out of 200 large manufacturing concerns 128 were found to require new equipment to pay for itself by savings in three years or less.* The fact is that they *dared* not schedule their returns over a longer period; but such a rapid turnover of machinery can hardly be other than exaggerated and wasteful. Unbridled competition threatens the safety of industrial investment over a wide field. Forecasting is impossible, if the potentialities of increased production are infinitely greater than any possible expansion of demand. If expensive machinery is reduced to working short-time, it quickly becomes unremunerative, but this must have been the case in many American plants, even before the slump began. Yet in many instances there is no means of ensuring its full-time operation, except by monopoly or by agreed adaptation of production to demand. Both these things are fundamentally repugnant to the tradition of American individualism. The saga of Theodore Roosevelt's trust-busting campaign still awakes a grateful echo in the breast of the average citizen. Yet the force of events is more powerful than tradition. The Sherman Act, making agreements in restraint of trade illegal, still stands on the statute book, but its utility is now being questioned even by the President himself. In October he told the American

* *Recent Economic Changes in the United States*, vol. i, p. 139

The Exportable Surplus

Federation of Labour Convention that "it certainly is not the purpose of our competitive system that it should produce a competition which destroys stability in an industry and reduces to poverty all those within it. If our regulatory laws be at fault they should be revised." And in December he advised Congress to institute an inquiry into the economic working of the anti-trust laws. Here is another great change looming on the American industrial horizon. Indeed, it has already begun. Mergers which avoid transgression of the law are being negotiated in many directions. There were more than 200 announced in the year 1928 alone. Where complete mergers are not possible, co-ordination of policy is secured by interlocking directorates. But even these devices do not always suffice to ensure stability of production and employment. For the gearing down of the American machine to the level of effective demand, it is growingly felt that agreements to limit production must be allowed. Until that becomes possible, a prominent Federal official declared recently that "sane thinking about the future could only be done in a penitentiary."

V. THE EXPORTABLE SURPLUS

BUT when everything has been said and done, even if production should be better regulated and technical progress slowed down, the United States will still have a great exportable surplus, not only of foodstuffs and raw materials but also of a large number of manufactured articles. The world now finds itself in the fantastic position that millions of men and women are unemployed and underfed in Europe, India, China and elsewhere, when Canada and the United States are bursting with food they cannot sell. American factories, mines and oil-fields are running half-time, while the rest of the world is clamouring for their products. Yet the rest of the world

The United States in the Great Depression is largely standing idle too, because unless it can sell it cannot buy.

The problem now facing the American people has been concisely stated by Mr. Owen D. Young,* who asks "What are we to do with our surplus of wheat? Either we must burn it at home or sell it abroad. If America starts to burn surplus wheat when people are hungry elsewhere in the world, that fire will start a conflagration which we cannot stop . . . There is no way out except to market this surplus where men are hungry." For manufacture the solution is the same as for agriculture. "As our production per man increases in our factories, and goes beyond the power of our consumption, we must export that surplus or have corresponding unemployment in those industries." The same conclusion has been reached in other quarters. Even the American Federation of Labour, though still desperately clinging to its old faith in a high tariff, announces, "We depend on foreign countries for an important part of our trade and the fate of wage-earners abroad is closely linked with ours."

The knell of the economic isolation and self-sufficiency of the United States could hardly be more clearly sounded. The country is gradually perceiving that it is irrevocably committed to an international trade policy. Fewer and fewer people now seriously believe that the home market alone counts, because only 10 per cent. of American production goes abroad. In some branches the percentage is much higher, and in any case it is from the last 10 per cent. of sales that profits are usually derived. Moreover, the home market is not likely to expand in future at anything like the rate even of the last ten years, let alone the two decades before the war. Mechanisation of industry and agriculture has reduced the demand for immigration, which, under present circumstances, is being kept below the quota level, and may be checked altogether for a period. However necessary such a step may be owing to shortage

* In an address delivered at San Francisco, June, 1930.

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private entrepreneur, of the *lisbenetz** and of all others who are out of tune with the existing scheme of things. Besides, they abjure the use of violence and war even against the enemies of the proletariat, and they hold out hopes of an inner peace which is incompatible with the spirit of militancy that the Revolution exacts.

Later on, I sallied out for a walk. The village was now humming with life. Young and old were outside in the street, sitting in groups on logs or planks in front of their houses, or sauntering up and down at their leisure. Boys and girls, in freshly greased boots and bright Sunday clothes, were strolling along in pairs or parties, their arms round one another's waists, gaily chattering and laughing and now and then breaking into song. A holiday spirit hovered over the village. Unlike Moscow or other towns, Sunday then still had a meaning here.

I was stopped by a number of peasants who had collected in front of the blacksmith's, where there was a pile of logs which made excellent seats. They invited me to "tell them about things"—of life in other lands, prices, goods, collectives, *technika*†—everything. There were kolhozniks (members of the local kolhoz) among them, and a couple of them were wearing brand new rubbers which glistened in the sun. As there was no mud they obviously wore them for show. My presence soon attracted people, as any foreigner's does in a Russian village, and groups, almost crowds, gathered round me. It might have been a mass meeting. Taking advantage of the occasion I shifted the subject to that of their own local conditions, in the hope that I might have a chance of hearing what the peasant really thinks, be he *bedniak*,‡ *seredniak*,§ or an actual or suspected kulak, if there were any about, and of course the kolhoznik. Here they were, all ready to hand, with ample time at their disposal and in a talkative mood.

* A person deprived of Soviet citizenship.

† Industrial development. ‡ Poor man.

§ A peasant who does all his work with his own hands and is neither a *bedniak* nor a kulak.

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"We are all in the dark nowadays," said a tall bony man with a pointed greyish beard.

"Waiting for light and not getting any," chimed in another, an old man leaning on a staff, with his hat so low over his eyes that you could hardly see them.

"*Nichevo*,* it will come, this light," broke in a kolhoznik, a tall youth in a blouse with a collar and tie and rubbers.

His words were greeted with a loud laugh in which he heartily joined himself.

"You should have been here last winter, countryman of ours," cried another, a tall vigorous fellow, with bristling sandy moustaches and shrewd grey eyes, one of two brothers who ran the town windmill.

"Aye, there was excitement if you like," exclaimed several voices at the same time.

"And it is not over yet," someone added.

"No, indeed," cried another man.

"One thing at least we have now learned," said the old man with the staff, "and that is not to keep more than one cow or horse and at most only two pigs and a few sheep."

"Quite right, quite right," repeated the chorus, and there was something inhumanly bitter and hopeless underlying the gravity of their manner.

"They have taught us a lesson, one that we shall not soon forget."

The presence of the kolhozniks who are supposed to be, and often are, the local eyes and ears of the government, as well as its voice, did not in the least deter these peasants from speaking their minds without any show of reserve. As I listened to this resolve to keep only a single cow, one horse, two pigs and a few sheep, I realised why the Kremlin wants to collectivise the land in the shortest possible space of time. For, unless something happens to break this resolve, the production of meat and milk will be limited, and many urgently needed commodities will

* Never mind, or don't be disturbed.

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not be forthcoming for the outside market. The muzhik was on strike, and said so quite openly.

The discussion continued.

"A party of those special constables* paid me a visit the other day," began a little man with a fuzzy brown beard and a toothless mouth. "After a look round off they went. And then, what do you think? One of them came back to find out if I was a kulak. I have an old straw cutter with which I have been earning ten or fifteen miserable roubles a year; well—I was charged with being an exploiter. It is a rusty old thing, this cutter; I have had it for at least fifteen years. So when the constable suggested that I was making money out of people, I laughed and told him that he could have the whole machine for the price of the iron in it. But the matter did not end there. 'How many cows have you got?' was the next question. 'One,' said I. 'Let me see it,' he snapped back. 'Very well,' I replied. So down we went to the barn, and as we were walking there I said to myself, 'what on earth will he say when he sees the young heifer? Will he call her a cow and confiscate her on the ground that I have lied to him?' But I kept cool. When we reached the cowhouse sure enough he at once exclaimed: 'Why, there are two cows!' 'No,' said I, 'there is only one, the other is a heifer not yet two years old.' 'But she is with calf,' he cried. 'She certainly is,' I admitted. 'Then she is a cow, isn't she?' said he. 'Not yet,' said I, 'and she won't be one until she's had her calf.' 'And when will that be?' he asked. 'I am sure I don't know,' I protested, 'I was not at the pasture when she was served.' No more was said, but he looked and looked at that heifer. Then my old woman came in, and, father, you should just have heard what she had to say to him—Lord, how she talked! She called him names, she scolded him, she told him that he ought to be ashamed of himself for annoying poor hard-working people, and when he tried to answer

* Members of a voluntary group sent out on some special mission by Soviets or the Communist party.

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she wouldn't hear a word. Once she actually spat at him. I was fairly scared. But he did absolutely nothing, nothing at all. Every time he opened his mouth she shouted him down, so he just had to listen.

"There's a *baba** for you," was the enthusiastic comment of the crowd. "But I was frightened all the same," continued the little man, "and all that night I couldn't sleep for wondering whether they would come back and confiscate the heifer and everything I had. But my *baba* said that if they came she would break their heads with a faggot. Through God's mercy they didn't come, or she might have done something desperate."

"Yes, with you it went no further than fright," said the old man with the staff, but Demyan across the way there, you know what they did to him!"

At the mention of the name a murmur of pity surged through the crowd and several of the peasants shook their heads.

"Think of it," continued the old man, "he lives with his wife and a sister-in-law who is stone blind and quite helpless. But for his support she would have died long ago; he has been like a father to the poor thing. Yet they pronounced him a kulak and stripped him of everything he had. First they assessed his share of the bread levy at three hundred poods, though he never raised as much rye in his life. But they demanded it on purpose so as to have an excuse for confiscating his possessions, which they did, cleaning him out for good and all. They took his eighteen-year-old horse, his yearling, his one cow, his four pigs and all the oats and unthrashed grain in his barn. Finally they sent Demyan himself to gaol for three weeks. As a favour they let him keep three and a half poods of rye, no more. They even took away the timber with which he meant to repair his house and barns."

"And who was to blame? Why, the committee of the poor in this very village," said a voice, and all eyes were

* Woman

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turned in the direction of the group of kolhozniks. The latter, however, seemed quite unruffled. They went on talking among themselves, and one of them laughed outright.

"Why didn't they think of the blind girl, brother?" asked someone.

"He has since been going round the government offices trying to get his case reviewed, and his property and rights as a citizen restored; but nothing has come of his efforts."

"Little they care for people's feelings. Human beings are nothing to them—nothing."

The kolhoznik, who had laughed, a man of about thirty, with blue eyes and an uncombed black moustache, turned to me.

"They tell you everything except the real reason why Demyan was dekulakized," said he. "He hired outside labour, not merely on occasions when the law allows it, but for the purposes of exploitation, and he did some trading too."

There was a loud laugh. It was clear what the crowd thought of the kolhoznik's reply.

"Laugh away," he cried, rather irritably, "that's all you can do anyway, laugh and complain."

"Thank God at all events that we can still laugh, even if we can't talk freely," remarked the old man again.

At this the kolhoznik fairly lost his temper.

"You old fool," he shouted, "who put a gag in your mouth? As though anybody could ever stop you talking," and turning to me he continued, "It is a good thing that you are here to see for yourself how they twist things . . . They talk and talk and talk, yet they have the impudence to say that they are not allowed to talk. What a people!"

"You know what happened last winter?" someone yelled.

"Well, what did happen?" shouted back the kolhoznik.

"We dared not speak at meetings. If we said anything that the organisers didn't like, they abused us, called us kulaks, and even threatened to put us in prison."

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"We let the women do the talking," cried a voice from the back of the crowd.

"They did that in every village, just let the women talk."

"And how they did talk!"

"They went on day and night. The organisers had not a chance."

"If the organiser tried to stop them they made such a din that he had to call off the meeting."

"What is there to be proud of in that?" broke in another kolhoznik.

"Plenty of reason for us," screamed a middle-aged woman with a baby. "Our men folk," she complained to me, "had cold feet, so we decided that we'd do something on our own account, and many of us came with our babies on purpose, because we knew that the laws about women with babies would prevent their touching us."

"Are you utterly without shame?" broke in another kolhoznik. "There was only one constable of that kind here. Yet you talk as if they were all the same. He was a *peregibstichik*,* he went beyond his instructions."

"That may be so, but in other villages they were often all of them scoundrels," shouted another woman at the top of her voice. "I have a son in S—— and I know what the idiots did over there, and nobody attempted to interfere with them."

"But they had no right to do it," explained the kolhoznik with the unkempt moustache. "If you tell a story you ought to tell the whole story, and you know that some of those fellows who behaved so badly are now in gaol."

Feeling was now rising fast between the kolhozniks and their opponents. One thing was quite evident. The village was divided, not into bedniaks and seredniaks on the one side and the well-to-do on the other, but into kolhozniks and non-kolhozniks. The kolhozniks were "they" and the individualists were "we." This was certainly not the sort of split which the revolutionaries wanted to promote.

* One who committed excesses.

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in the village—anything but, for it clove into warring factions the very forces that were supposed to amalgamate and jointly constitute the *opora* (the support) of the Revolution. But the mass of the villagers only saw in the kolhoz the power which had taken away their best pastures from them, had at one time even menaced them with the confiscation of their gardens, and, above all, had threatened to swallow them up themselves.

Presently a tall man with a ruddy face and a military bearing came up.

"Here is another liquidated kulak," someone exclaimed.

"Nu, Nikolai, tell our countryman what they did to you."

"Nu," replied Nikolai with a wave of his hand, "that's an old story now, not worth repeating."

"Tell it, tell it, don't be afraid," several voices urged. Nikolai frowned.

"Last year," he began, "I thought of joining the kolhoz, but my wife threatened to kill herself if I did, so I did not. Well, you see me as I stand here? That's how they left me. Everything else they took away, except three poods of grain and a few sacks of potatoes which they allowed me to keep as a favour."

"The finest pair of horses in the village," a peasant close to me remarked, "three cows, ten sheep, twenty hens, a wagon, ploughs, they stripped him of everything, and of course they drove him out of his own house, and in freezing weather, too. Merciless."

"And we all know Nikolai," added the old man again. "Nobody in this village worked so hard or so honestly as he did. Ever since he was a little boy he has been the same. If on the way to his fields with a load of manure a piece were to fall off, he would go back and pick it up with his own hands, every bit of it and put it on the cart again. It was the same if any whisks fell off a load of hay, he would rake up every shred and put it back. He never left the smallest or the greenest potato in the field. Nothing was ever wasted in his house, that's the kind of man he was."

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"Yes," said another man, "he ate and slept too little, was out in all kinds of weather, and never tipped as some of us do. He never indeed allowed himself the slightest luxury. Copeck upon copeck he put away, rouble upon rouble—all his neighbours will bear me out—and when he went to town he would not even permit himself the treat of a herring or an *abaranok**—there is thrift for you!"

"It is all true, every word of it," cried several voices.

"If we had only known what was coming," said someone, "we would never have bothered to work and save to build up a respectable home. We'd just have loafed so that we might remain paupers, and then instead of things being taken away from us they'd be given to us. It is wonderful to be a pauper nowadays. You get everything for nothing, you pay no taxes, and you are the big *shishkat*† in the village. But a man like Nikolai who has slaved and saved all his life now has to pay the penalty."

"Why then did he live like that?" came an indignant query from the fringe of the crowd. The entire assemblage turned to see who it was. "I don't know this Nikolai," continued the speaker, a young man in the early twenties, dressed for a holiday, with a cap and collar and tie and an up-to-date suit of clothes. I was told he was from a neighbouring village, a student in some electrical *technikum*‡ on a visit to relations.

"I don't know Nikolai," he went on defiantly, "but I heard all that you had to say about him."

"Well, what of that?" said the old man.

"I'll tell you what," calmly replied the youth.

"Oh! dry up!" cried the old man impatiently.

"Plug up your ears, old boy," retorted the young fellow, "you need not listen if you don't want to. A lot of you people never want to hear any sense at all. But what I say is this. Here is Nikolai; the Soviets, you complain, have maltreated him. He has worked hard all his life to build up a place of his own. He denied himself everything,

* A wheat roll.

† Power.

‡ Industrial School.

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even a herring on market days. He'd pick up every bit of manure that fell off his wagon and every shred of hay that blew about his yard. An excellent citizen that——"

"No, a bandit," interrupted someone sarcastically, and a roar broke out from the crowd.

"An honourable citizen," continued the young man quite unperturbed, "the kind, at all events, that you hold in honour. But I ask you in all seriousness, what did he save for? You say yourselves that he was denying himself things all the time. He just saved. What for? For whom? Was it to take something to his grave with him? Why didn't he at least try to live?"

He paused as though for a reply, and it came.

"And what is the good of doing nothing and saving nothing after the fashion of rascallions like you?"

"We try to live," replied the lad. "We buy clothes, books, and newspapers, and we study and do our best to understand the better life and to live it; that's what we do."

"And to push your elders into the grave," shouted a very old man. "Take me for example. I am sick. I have special wants. Sugar I must have, for instance, but do you imagine that I can get sugar? Not a bit of it. I am too old, I suppose, and you young scallywags think that it would be waste to give it to an old man like me."

"Join the kolhoz," suggested someone, "and you'll get sugar soon enough."

"As though there were not enough people already in the kolhoz to start quarrelling!"

"They can do with a lot more."

"In the village of H—— the other day a man who preferred to run his own farm had a dispute with the chairman of the kolhoz over some question of pasture, whereupon the chairman pulled out his revolver and shot him dead."

The group of kolhozniks, who had thus far taken little

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part in the discussion, showed signs of resentment at this statement.

"And suppose there was shooting at H——" shouted one of them, "Was there not shooting in this village too last year? Was there not shooting in this country before we ever heard of the kolhoz? Why is it always the kolhoz that is responsible?"

Someone tried to stop him, but he brushed him aside, and turning to me he went on:

"Every time anything happens in the kolhoz they yell themselves hoarse about it. They forget that the same things happen outside the kolhoz. One of our men tipped over a load of hay, and it was the talk of the whole countryside for weeks. Two of our women started a fight, and pulled each other's hair. That again set everybody off laughing. The other day on my way home, I noticed a horse that had come unhitched, and I said to myself, if this is a kolhoz team everybody will say that kolhozniks do not trouble to hitch up their horses properly. But it so happened that it was Semko there, so of course nobody had a word to say about it. How they love to pitch into the kolhoz, but, nichevo, they'll change their tune in time."

"That they will," cried another kolhoznik, "we'll see who can raise the best crops, and who'll enjoy the best life."

A tall woman with a hard face joined the crowd, and an oldish man yelled out for fun:

"Here is the chief champion of the kolhoz in our village."

"I?" protested the woman. "A champion of this fresh torment that they are foisting on to us!"

"A paradise, auntie," someone on the outside snapped.

"Paradise, of course," snarled back the woman, "living by the bell. Did you see," she had turned to me, "the bell they have fixed up? They just live by it. They get up by it, eat by it, sleep by it, fight by it, and if anything should ever happen to that bell, they'd be more at a loss than little chickens which suddenly lose the old hen."

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"She obviously doesn't like music," someone remarked facetiously.

"I certainly don't like bells," said auntie, "what a life in the kolhoz, always under someone's orders! Yesterday, for instance, I did no work. I just wanted a rest so I took one, and I ate more than I usually do, five times as much."

"*Zdorovo, zdorovo,**" exclaimed several voices. The woman smiled, pleased with the applause.

"Yes, I had five meals and there was nobody to say me nay. It was nobody's business. I was my own mistress. But in a kolhoz, how could I take a rest when I want to? I'd have to wait for the blessed bell before I could have a meal, and I could not have five meals unless the bell rang five times. That's the position. Then my little girl likes butter, but if I joined the kolhoz how could I get butter?"

"When our new cows come on we'll have plenty of it," interrupted a kolhoznik.

"But you have none now," she shouted back, "and my little girl wants butter at once, every day."

"When the harvest comes everything will be different," said another kolhoznik. "We'll have more than any of you and we'll fare better and live better. Just you wait and see, all you grouzers."

"And supposing you do?" burst out Ilya, the patriarch of the village, a hardy old gentleman with a still upright carriage though nearing his century, "Would that be anything so unusual? You have got the best land in the village, the best pasture, the best grain for seed, the best horses, cows and pigs, raised by decent people with their own sweat and blood in this or other villages. You have wood and lumber from the State forests, tractors and other machines, credit from the government; everything, all the help, all the advantages. Where then will the miracle be if you succeed in raising better crops than we do? Why don't you perform a real miracle? Get the

* Well, well.

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poorest land you can find, let the government impose on you half the burdens that it puts on us, do everything with your own hands, and then see what you can do."

"Yes, yes," chimed in a host of enthusiastic voices.

"Then let's see your miracle."

"Yes, a real miracle," repeated a host of others.

A kolhoznik began to say something, but Ilya interrupted him :

"And I say more. Give us the same privileges that you are enjoying, good land, machinery, credits, stock, and see if we don't even go one better than you. I know. When a man has his own things he will work his head off to get results, but when everything is pooled as it is in a kolhoz, he says to himself—'I'll do as little as I can, for I'll get as much as the other fellow anyway.'"

"No use arguing with these people," muttered a kolhoznik to me, "they'll have their own way. They won't have anything new."

"We must re-educate you first,"—it was the student again, "Then you will change your attitude towards labour. You will no longer say 'let the other fellow do the work.'"

"Re-educate," sneered Ilya, "re-educate a muzhik. You silly idiot. When you have lived as long as I have, young man, you'll talk less nonsense. But I wanted to say something else. The kolhoz is supposed to exploit nobody. But did any landlord ever exploit people as it does? Did any landlord ever take cows, pigs, horses, wagons, timber and other things, too, from their owners as the kolhoz has from these unfortunate kulaks? Yet it, too, hires labour and far more than any kulak ever did—exploitation!"

"Hear hear," shouted a burly peasant, delighted. And Ilya, stimulated by the attention he was attracting, raced on with increasing fervour. "They talk about exploitation. Well, look at the settlement of the *sbliakh** near here.

* Well-to-do Polish peasants formerly of the Polish nobility.

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Son of mine," he put his hands across his chest and shook his head dolefully, "it was as near a pogrom as anything I have ever seen in my life. They were well-to-do people in this settlement, cultured and industrious, and in the old days they bought a lot of land from the neighbouring landlords, and they raised wonderful cattle, pigs, geese, sheep and everything. They had machinery too. Of course they employed hired assistance, so as to get the work done properly, but they themselves and their wives and children worked harder than all the hired men. For a long time the Soviets tried to break them with taxes, levies of bread, fines, and cutting into their land, yet they still lived on and prospered, for they were real hustlers and good folk. Last winter, however, they were pronounced kulaks, sixteen of them out of eighteen. To my dying day I shall never forget what I saw there last winter. I was on a visit to my nephew who had an allotment there. What a fate! Such wailing and shouting I never heard. They were one and all, men, women and children, yes even the newly born babies still at their mothers' breasts, packed off. They begged for mercy, some of the men blubbering like little children and pleading for their wives to be spared and allowed to remain so that they and the children could keep on living at home. Do you suppose that any notice was taken of their prayers? Akh! No more than a storm takes of the hay that has not been gathered from the field. Pity there was none. They all had to go, bundle up and get into the wagons and drive off to that awful place, Kotlas."

"But they were kulaks, uncle," shouted a kolhoznik.

"And kulaks have no place in a Soviet society," chimed in the student. "They are always against collectivisation, against everything indeed."

"Kulaks, kulaks," continued the old man, "Have then kulaks no feelings, have they no love for their wives and children? Do kulaks enjoy seeing their dear ones fall sick and die? They are now letting some of the women and

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children come back, if relations send for them or go to fetch them. Anisya from T—— has just returned. You ought to hear her talk! Poor thing, she went away with four children and only one has come back, three died up there. Another man from the same village has also come back with his wife. He was sent away illegally and permitted to return. But of his two children, one died on the way up there, and the other just as they got off the train the other day—almost in sight of home. My son saw them in the market place. They had the body of the dead child in the wagon wrapped up in a sack and covered with straw. My son told me that the mother, poor little thing, cried so wildly that the whole market place was upset. There now," turning to the kolhozniks reproachfully.

"In a revolution you cannot stop just for a few women and children," burst out the student.

The remark released an avalanche of abuse.

"You stop at nothing, nothing. . . ."

"Think of the grain you have shaken out of us. . . ."

"And all the spying and denouncing by the poor. . . ."

"Kulak, kulak, kulak!"

"Yes, kulak, kulak, kulak."

"Everybody is a kulak who wants to keep his self-respect."

"Yes, everybody, everybody, even if he has not a shirt to his name."

"They scare you with words. . . ."

"And with threats. . . ."

The kolhozniks and the student tried to get in an explanation, but the crowd was no longer in a mood to listen. Carried away by a torrent of indignation they would have no excuse. The wrath of the moment carried everything before it. Louder and louder became their shouts as one after the other they jumped to their feet, flourishing their arms and brandishing their sticks as if to strike. The women, even more wrought up than the men, shrieked their complaints and denunciations at the top of their

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piercing voices. One man grabbed me by the arm and begged me to follow him into a corner where a friend from another village would tell me of the *peregibi** that the government organisers had perpetrated there. Several people pushed up to me and yelled their complaints into my face. The kolhozniks were as excited as the rest. The student jumped over people's backs and mounting the pile of logs shouted for order, but it was of no avail. Nobody wanted order. Nobody wanted to listen. Everybody seemed possessed. As no one took any notice of him the student turned to the small group that had gathered round me.

"It is always the same," he began, "they see nothing but evil in everything the Soviets do. They can't get over the fate of the wives and children of the liquidated kulaks. Of course the women and children did suffer. I was myself a special constable and helped to dekulakize people. It was not a pleasant job. But neither is going to war and shooting and throwing bombs and thrusting a bayonet into another man's flesh, yet sometimes it has to be done. And this was war, and is war. The kulak had to be got out of the way as completely as an enemy at the front. He is the enemy at the front. He is the enemy of the kolhoz, and wherever he could he struck at the kolhoz with all his might; and that we just could not allow. And what pity did these same kulaks show to women and children when they had their bins loaded with rye and wheat and would let none of it go to the city, where there were people, millions of them, yes millions of women and children too, threatened with starvation?"

"If the Soviets would pay them a decent price they would not stick to their grain," burst out one of his listeners.

"A decent price," shouted the student. "Didn't the Soviets pay the kulak a decent price? What did he want—blood? A decent price! In a revolution everybody has to work and suffer and sacrifice himself and help to build up the new society which is going to make everybody comfortable.

* Excesses or abuses.

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But the kulaks thought only of themselves ; all they wanted was to grab and grab and to keep their grabbings in their own hands. The rest of the country might perish—it was no affair of theirs. Think of the men and women in the cities sweating away at their work, and the kulaks holding the bread back from them. Where was their pity? Kulak children died—yes, but other children have been saved. And is it nothing that nurseries have been built, even in this village and in so many other villages round here? And what are these nurseries for but to keep the children well and happy, and to save them from disease and premature death?”

“Nobody said anything against the nurseries,” someone interrupted.

“No,” flashed back the student, “but you talk about kulak babies as though the Soviets tried intentionally to starve and kill them. Unreasoning creatures. The peasants want everything to happen at once. They would like the Soviets to take them into the kolhoz and immediately to shower gold and luxury upon them. Do wells dig themselves? Do barns build themselves? Do fields plough themselves? Do tractors make themselves? They forget that nothing comes without effort, without sacrifice. But, nichevo, they will learn, they will have to, and, babies or no babies, the kulaks, all of them, will have to go.”

“We’ll all go, we’ll all perish,” broke in the old man who had complained that he could get no sugar at the co-operative.

“You will if the kulaks are not liquidated—they’ll swallow you all up and bring the bourgeois back and make slaves of you again. The kolhoz is your only salvation.” The student finished.

The old man remained unimpressed.

“Kulaks, kulaks, that is all we hear nowadays,” he answered. “I have lived through wars and epidemics and revolutions and droughts and what not. And this is what I say—if you have a rotten piece of stuff, how can you make

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a good hat ? If you have a rotten piece of wood how can you make a good axle ? Of course you can't. And if you have a rotten people how can you have order ? Of course you can't, and we Russians are the rottenest people in the world, always against one another, always fighting one another. Nu," and he despairingly waved his hand.

"That is the old way of talking, grandpa," said the student. "It has no meaning any more. But you are not to blame. You are too old to learn."

Later on I went with a crowd of boys for a swim. The student came along too. Afterwards, when we were stretching ourselves on the grass in the sun, he returned to the charge.

"Do you know what the chief trouble is with our muzhiks ?" he said. "They all want to become kulaks. It is deep-rooted, in their very bones. Again and again I ask myself, why are they like that ? Take that fellow, Nikolai, for instance, of whom they spoke with such pity. What had he all his life been sweating and saving for ? What good did he get out of all his savings ? And, you remember, the more he saved the more he wanted to save. Why, what for ?"

He paused ; I passed round the cigarettes, and as we smoked he went on.

"I have been thinking a good deal about the subject lately because of something that happened in my own village. The old landlord there had a wonderful blacksmith, a plain muzhik, a *samouchka*,* but with an uncanny aptitude for mechanics. There was no machine, however complicated, even of foreign make, which he could not put right. Other landlords, when they had trouble with their machines, sent for him instead of for a professional mechanic. He was earning good money both from his own landlord and from others too. But he had the soul of a kulak. He never married and he lived all alone in a little house, did his own cooking, his own washing, his own mending, and

* Self-educated man.

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all the time he kept on hoarding. He would never help any of his relations, not even his own brother and sister, and when his sister's children came to see him he never gave them so much as a ginger snap or a slice of white bread. He just saved and saved and hoarded and hoarded.

“The other day he got sick, and the *feldsher** told him to stay in bed—he was too feverish to go about. The neighbours sent for his sister who lived about fifteen versts away. When she approached the bedside, he shouted to her to leave the house at once. ‘You have come here to see me die,’ he screamed, ‘so that you can grab my property. But I won’t die. I will outlive you and all your children and everyone else who wants to lay hands on my possessions. Out with you, you bitch.’ The poor woman went back and she had hardly reached home when the old fellow died. With the help of the police his relations searched the house and it was amusing the things they found there—twenty-six axes, fifty odd sickles, hundreds of nuts and bolts, a whole stack of plough-points, piles of other spare parts—and also sacks of horsehair and bristles and dried fish that had begun to rot. His attic was also stuffed up with the things he had been hoarding all his life—hoarding just for the sake of hoarding, without any thought of using them. Well, the old fellow had gold too. He bragged while he was still alive that he had more than the landlords had, but neither his relations nor the police could find it. They turned his house and the little barn and shop upside down, but they could find the gold nowhere. Then they began to dig outside, and at last they found it in some little iron buckets, and where do you suppose they found it? Right under the earth closet! Just fancy! The cunning old devil! And the question I have been asking myself is, what good do these people get out of all this? One bucket of gold, two buckets of gold, a sackful of axes, a cartload of axes, a million roubles, a billion roubles—why do people love hoarding? What pleasure do they get out of it? Akh, how beastly!”

* Healer

THE UNITED STATES IN THE GREAT DEPRESSION

I. THEN AND NOW

HAS there ever been quite so precipitate or unexpected a catastrophe? Little more than a year ago the United States was driving along at tremendous speed, the wheels of industry and commerce turning faster and faster, export trade expanding in every direction, stock-market soaring to undreamed-of heights, employment and profits abundant, comfort and luxury spread more widely and deeply over the land than in any country at any time. The bolder economists were prophesying the dawn of a new age in which prosperity would be permanent, based on high production, high wages and high consumption of an insatiable home market. That chronic bogey, the business cycle, they believed, had been mastered and clamped down, at least to the extent of reducing its steep peaks and valleys to gentle undulations through the regulation of price levels by the arrangement of credit. Even the President's Committee on Recent Economic Changes summed up its masterly survey last year with the words "Our situation is fortunate; our momentum is remarkable."* This phrase was better attuned to the public mood than their caveats as to the need for maintaining balance, their misgivings about the state of agriculture, their doubts as to the healthiness of unlimited speculation. In a world of darkness or twilight the United

* *Recent Economic Changes in the United States* (1929), p. xxiii.

The United States in the Great Depression

States stood out boldly and brightly in the sunshine, having apparently found a solution of the riddle of economic well-being unattainable elsewhere. It was a beacon which strengthened and encouraged those who were slowly struggling back to the light from the shades into which the war had plunged them. As long as America held on its way, there was hope for the rest of mankind. It was the climax and the vindication of undiluted capitalism.

In twelve short months this picture of unparalleled prosperity was transformed into the severest slump which America has ever experienced. Within one year after the Wall Street crash the combined average value of fifty representative stocks dropped from nearly \$260 to \$160. It is now lower still. Production in almost every industry of importance had been reduced in spectacular proportions. By July, 1930, machine-tool manufactures had declined by 64 per cent. as compared with the previous year—a significant figure—automobiles 47 per cent., locomotives 46 per cent., building contracts 43 per cent., steel ingots 39 per cent., and so on.* Since July the position has got considerably worse. It was stated that by November 8 the steel industry was working to 44 per cent. of its capacity. The October output of private motor cars was 112,209 as against 318,462 in 1929 and 338,224 in 1928. In practically every trade the slump proceeded as winter drew on. With the decline of the home market the collapse of the export market kept pace, as the world depression deepened. For the first six months of 1930 the Department of Commerce reported a drop in values of 20.9 per cent. of all exports and re-exports as compared with the same period in 1929. Not only were manufactured articles affected, such as automobiles — 46.1 per cent., cotton fabrics — 34.4, tyres — 22.6, paints — 18, but most of the staple raw materials and agricultural products, cotton — 31.1, copper ingots — 45.4, coal — 8.7, apples — 66.4, oranges — 38.8, canned fruits — 9.6. Only light oils, wheat

* *National Industrial Conference Board Bulletin*, September 25, 1930.

Appendix

II. AREA AND POPULATION OF INDIA (1921 CENSUS). (Figures to nearest thousand.)

	Area in square miles.	Total population.	Hindus.	Sikhs.	Parsis.	Mohamedans.	Christians.			Tribal religions.	Not enumerated by religion.
							European (and allied races).	Anglo-Indian.	Indian.		
India (total)	1,805,000	318,942,000	216,735,000	3,239,000	102,000	68,735,000	176,000	113,000	4,464,000	9,775,000	2,814,000
British India (total) ..	1,041,000	246,498,000	163,112,000	2,360,000	88,000	59,195,000	151,000	96,000	2,753,000	6,737,000	43,000
Assam	49,000	7,458,000	4,130,000	1,000	—	2,202,000	3,000	—	114,000	992,000	—
Bengal	77,000	46,696,000	20,207,000	2,000	1,000	25,211,000	23,000	22,000	102,000	846,000	—
Bihar and Orissa	83,000	34,002,000	28,166,000	1,000	—	3,690,000	6,000	4,000	247,000	1,881,000	—
Bombay	124,000	19,348,000	14,816,000	8,000	83,000	3,820,000	33,000	10,000	221,000	123,000	—
Central Provinces (including Berar)	100,000	13,913,000	11,622,000	2,000	2,000	564,000	6,000	3,000	32,000	1,614,000	—
Madras	142,000	42,319,000	37,511,000	—	1,000	2,849,000	11,000	23,000	1,327,000	578,000	—
Punjab	100,000	20,685,000	6,579,000	2,94,000	—	11,444,000	21,000	4,000	303,000	—	—
United Provinces	106,000	45,376,000	38,610,000	14,000	1,000	6,481,000	25,000	9,000	166,000	—	—
North-West Frontier Province	13,000	2,251,000	150,000	28,000	—	2,063,000	8,000	—	2,000	—	—
Baluchistan	9,000	128,000	9,000	1,000	—	118,000	—	—	—	—	—
Indian States (total) ..	701,000	70,192,000	53,572,000	867,000	13,000	9,272,000	16,000	17,000	1,710,000	3,037,000	860,000
Tribal Areas and Agency Territories	63,000	2,252,000	51,000	12,000	—	268,000	8,000	—	2,000	—	1,911,000

RUSSIAN REALITIES

ON Sunday I rose early and went to a village some ten versts away. I had been invited to come by the young folk, who had arranged a party for the evening, and by some of the older people, who insisted that they, too, were deserving of the notice of their American countryman. I knew this village almost as well as my own, for it was perched on the bank of a fine river, where, as a boy, I had often gone fishing and swimming. Besides, I had many friends there. It was one of the largest villages in the whole countryside, though as primitive and desolate as my own, or, indeed, as any of the others, with its thatched roofs and barns, its unpaved street, and its quota of surly dogs. Also, it had a *kolhoz*.*

I called on several members of the kolhoz whom I happened to know, and then I went on to see some old friends of my family. Finally, I finished up at the house of a woman called Palahya, who had several times asked me to come and look at the embroideries of her eldest daughter, Malanya; a little woman, with puffy cheeks and large grey eyes, noted for her kindliness. The living-room was swept and clean, and unencumbered by the innumerable objects which clutter up Russian peasant homes in these parts. Even the *polati*—the platform which serves as a bed—was free from straw ticks, hemp cloth and cast-off garments.

When I reached the house, the husband, a man of about forty, with a wavy moustache, was just starting off for

* Collective farm.

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town with some sacks of old potatoes and several live chickens. Townspeople, he said, were giving good prices for food, and sometimes you could get dishes, clocks, clothes and even wine in exchange. One winter a man gave him a bottle of red wine for ten eggs ; it was the first time that he or his family had ever tasted wine. They liked it, too, even his wife did, though she loathed vodka, and would not let him touch it. Perhaps there would be a chance of finding another bottle in the market. With the feast of Trinity coming on, wine would be welcome, and so on, and so on.

He drove off, and Palahya showed me into the little, dark room at the back of the house where peasants store their possessions, especially their best clothes. She undid a huge, home-made trunk, and, with the door open to let in the daylight, she unfolded a mass of towels, sheets, tablecloths and blankets, all gorgeously embroidered, and all, she proudly boasted, the work of Malanya. "It is her dowry," she remarked almost in a whisper. "Not a girl in the village has as fine a one as my daughter, and she is adding to it all the time." With lingering fondness, she folded up the things and packed them neatly back into the trunk. As she did so she kept up a flow of chatter. "The Lord only knows," she murmured confidently, "why the girl won't marry. I have argued and quarrelled and fought with her, and so has her father, but she won't budge. She says that there is plenty of time. Suitors have been coming from all round, but she won't even look at them—nice well-to-do men, too—and she no longer so young as she once was. She was twenty, three weeks before last Easter."

"Come, that's young enough," I ventured to suggest. "She can quite well wait another five years."

Had I pronounced a curse I could not have shocked the mother more profoundly. "God forbid," she hastily replied. "Why, my dear, I'd rather die than see my daughter remain unmarried for another five years. Peasants

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have to marry young to have children and get on in the world."

We went back to the living-room, and soon Malanya herself and two friends came in. In their soft-leather shoes and their Sunday dresses, these village girls were hardly distinguishable from town girls. Malanya herself, full-breasted, ruddy-faced, with a wealth of soft brown hair and large blue eyes, and an authoritative air with her, easily deserved her reputation of being an uncommonly pretty lass.

"Well, will you take her with you to America?" said the mother in fun.

"Would she come?" I asked, catching Malanya's eye and watching the blush steal over her cheeks.

"Certainly we would," cried one of the friends. "We'd all come if we had the chance, either to work or to get married, or to do anything," and the three put their heads together to hide their embarrassment and giggled with delight.

"Do they go for the kulaks in America?" asked Malanya.

"No," I replied.

"All the better," said one of the other girls, and they again started giggling.

"If you marry a rich man in this country," continued Malanya with that assured manner which lent her such distinction without in the least detracting from her girlish naïveté, "you may be treated as a kulak yourself and banished to Siberia or Kotlas."*

"Nobody wants to marry a rich man nowadays," added one of the friends.

"Nor a poor one either, for that matter," retorted Malanya, and again the three put their heads together in a fit of uproarious mirth.

"There now," said the mother, "you have heard what they say." And shaking her head in distress she turned

* In the old province of Vologda in the far north.

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upon the girls and, in a rising crescendo, "Whom then do you want to marry?" she cried. "You are afraid of a rich man, you don't want a poor man. Who else is left? Do you expect always to remain young and attractive? You forget that there are other girls growing up who will be younger and prettier than you. They will receive all the attentions, and the men will not even look at you. You will soon be left out in the cold, a disgrace to yourselves and your families, and there will be nobody to court you except some grouchy old widower. And then what will you say?"

Once upon a time such reproaches from her mother would have crushed a girl; but now—

"In that case we'll go to town and work in the factories," said one of the girls. An innocent enough reply, yet to me it was pregnant with meaning. In the old days these girls were so timid and fearful of the outside world. They shrank from the very thought of the city. The bazaars in their own little market town, where they could feast their eyes on flashy shawls and ginger cakes and white bread and trinkets, were the limit of their travels. And now here was this Malanya and her friends looking to the city as a place of deliverance.

"I want to go to town, anyway," cried Malanya again, "I am sick of mud and dullness."

"The kolhoz is the place where you'll end up, my dear, as we all shall," exclaimed her mother.

"If they build a nice one, the kind the organiser told us about, with a club-house, movie pictures, a park, an orchestra and a theatre, we'll go of our own accord," said one of the girls.

"Yes," sobbed the mother, "and then you'll all be in mobs, working and eating together, going to the fields and coming back together, and meanwhile the men here will play round with other girls, and there will be all kinds of temptations and faithlessness."

"Then we'll play round with other men," retorted one of the friends.

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"It may be better so," remarked Malanya nonchalantly, and the three again set off giggling. But this show of sophistication, a new thing in itself and purely the result of the Revolution, was too much for the mother.

"Nu,"* she shouted, stamping her foot, "mind that tongue of yours, you naughty thing, or——Remember, I am still strong, stronger than you are."

But Malanya showed no concern at the threat.

An old woman in shoes and a homespun woollen coat and a bright kerchief wrapped turbanlike round her head came in, the grandmother of one of Malanya's friends, who lived just opposite. She shook hands all round and instantly plunged into the conversation.

"Nowadays," she exclaimed, "people need nothing—neither money, God, faith, devil, husbands, nor wives."

"How advanced you are getting, grandma!" remarked her granddaughter.

"Advanced rubbish," replied the old woman indignantly, "here is our countryman from America. Let him decide. Would any girl in the old days, after giving birth to a bastard or with one in her belly, have gone about with the other girls in the village to dances and spinning parties? She'd have buried her face for shame first. And now look at Matrena playing about in her condition as if nothing were going to happen."

"And remember Boris," added Malanya's mother.

"Yes, Boris," repeated the old woman. "That is another case for you. He went off one day to some village or other, and came home with a pretty wench, took her into the barn to sleep, and next morning he told everybody that she was his wife. He did not even go to the Soviet to get registered. That's why I said that people nowadays need nothing—neither wealth, church, nor virtue, nothing, nothing at all."

The girls seemed quite unimpressed. As before they exchanged amused glances at the complaints of their elders.

* Well!

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Presently two men came in, one a neighbour of Palahya's, an elderly muzhik with a greyish beard and heavy boots, the other, his son-in-law, a much younger man, clean shaven, well-dressed and of an earnest demeanour.

"He's a Baptist," said the older man solemnly, "and he wants to ask you about the Baptists in America."

The younger man at once started plying me with questions. He had heard that there were millions of Baptists in America, and he would so much like to know something of their life and their manner of worship. Did they have to register their services at a government office like Baptists in Russia? Were they forbidden to proselytise or to have schools, or to form their own co-operatives, and were their children, even when they worked the land with their own hands, deprived of citizenship? Did they believe in alcohol and smoking and in going into the army and in fighting wars?

Then he went on to tell us the story of his own conversion. He had been Orthodox, and, like all the Orthodox, he had since the Revolution been weakening in his faith. Once at a fair two men got drunk and started fighting, and one cracked an empty bottle over the other's head, knocking him unconscious, so that the police came and took him away to the hospital. A crowd gathered and the people began talking about the fight, an elderly woman arguing that if these men had had God in their hearts they would never have fought, for they would not have touched liquor. It was only infidels, she insisted, who had no respect for their own bodies and souls, and debased them with drink. She explained that she was a Baptist, and talked about her faith. Baptists, she said, were not like Orthodox people—they knew what they believed and why they believed, and they never did anything for which they could not give a reason. Did an Orthodox Christian, she asked, know why every Wednesday and Friday he had to do without meat, milk and even eggs? Did he know why the priest spat and blew at the devil when there was a

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christening? Did he know why he kept so many holidays, sometimes three days or even more at a stretch, or what he was celebrating when he soused himself in drink? Orthodox people just did things, without knowing why they did them; but Baptists were different. They reasoned about everything. Well, this woman set him off thinking with the result that, some time after, he himself became a convert to the Baptist faith, and now he knew that real religion meant cleanliness, kindness to all living things, simple worship anywhere, in a house, in the open fields or even in a barn, industry, humility, abstaining from resistance and violence, no wars, no bloodshed, and the brotherhood of all peoples and all classes the world over. That was real religion.

"Good people these Baptists," remarked the old woman. "They never offend anybody."

"And why should we offend anyone?" cried the man. "Didn't the Lord say 'Love thy neighbour as thyself'?"

He invited me to come to the meeting with him. Yes, they met every Sunday in one or other of their houses and the Soviets left them alone, though often enough Young Communists would come and argue with them. Ah! if only the Soviets would let them make converts! What real light they would bring to people—God's own light which warms the heart and rejoices the spirit and alone brings contentment and happiness!

When one listens to a Russian Protestant like this earnest young man it is easy to understand why the Russian revolutionaries have changed their attitude toward the Protestant sects from one of benevolent patronage to implacable hostility. These people are filled with a passionate zeal, and they mean to abide by the tenets of their faith in their own way, which is utterly subversive of the basic tenets of the Revolution. They deny, for instance, the class struggle, the unforgivable sin in Soviet land. Therefore they renounce all hatred, of the kulak, of the

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On the other hand, rejection of the communal principle would almost certainly mean the splitting up of India into a number of separate and mutually hostile States. Religious and racial differences are facts of immense power which simply cannot be ignored. Attempts to ignore the strength of communalism in the Home Rule movement in Ireland led to the partition of that small island into two separate States. It is the function of statesmanship to find the best compromise between nationalism and communalism which is practicable at the moment, and leave time to do its healing and unifying work.

The problem of India to-day is not dissimilar in fundamentals from that of Europe in the last few centuries. India is moving towards democracy, and as the unifying power of the British raj disappears, the racial, linguistic, religious and other differences which have lain dormant begin to show themselves in the struggle for political power. The revival of communalism in India since the 1920 reforms is an example of this process. These same communal forces in Europe gradually destroyed the unity once given to it by Rome, the Holy Roman Empire and the Roman Catholic Church, and eventually broke it up into twenty-six national States, each so intensely and nationally self-conscious that losing all sense of their common European nationalism they armed themselves in fear and hatred of their neighbours, and from time to time plunged into fratricidal war. The problem in India is to find the right balance between communalism and nationalism, so that minorities may feel security and have an opportunity of reasonable self-expression, and yet remain loyal, co-operating members of one Indian nation embracing them all. To press either minority rights or national uniformity too far would be to smash the structure of Indian constitutional unity before it has had time to come into being.

In London no actual solution was reached, though the problem was thoroughly discussed, and at one moment only the question of the number of seats to be allotted to

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the Sikhs in the Punjab Legislature divided the parties so far as the distribution of seats in the provincial legislatures was concerned. The broad basis was to be that two new provinces, the North West Frontier Province and Sind, were to be created in which the Moslems would have an assured majority, that the Moslems were to have half the total number of seats in the Punjab and a majority over the Hindus, but not over Hindu and other minority representatives together, in Bengal, and that in all provinces containing small Hindu, Moslem and other minorities "weightage" was to be given in representation to compensate for their lack of numbers. No agreement, however, was reached, nor was any plan even discussed in detail, as to minority representation in the federal house, because neither the number of seats nor their distribution between the Indian States and the provinces had been settled. The effect, moreover, of the entry of the Princes into the federation on the general Hindu-Moslem balance was not clearly seen. The complexity of the whole problem can be realised from the summary of population taken from the Simon Commission's report, which is printed at the end of this article.*

(d) *Safeguards*

Indian extremist opinion is likely to criticise the safeguards and reservations left in the hands of the Viceroy and the Governors as an undue derogation from Swaraj. But from what has been said in the foregoing pages it is evident that people who look at the problem of bringing Swaraj into being from the practical point of view, will agree that the safeguards proposed will really be a help rather than a hindrance in carrying through so gigantic and unique an experiment as the introduction of responsible self-government in a country as large and divided as Europe. The real menace to the development of self-government in India is no longer the British Government. British public opinion has clearly made up its mind that

* See the Appendix.

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the Indian constitution must now develop along the same lines as the Dominion constitutions. The real menace is either that Indians will be unable to accept practical solutions of the many constitutional problems which have still to be solved before a constitution can come into being, or that groups or minorities will try to resort to force in India, as they have in China and many other parts of the world, and destroy all possibility of constitutional unity and growth by reducing the country to chaos. The existence of safeguarding powers in the hands of the Viceroy is the best security which could be devised that Swaraj will not be rendered impossible by anarchy or militarism during the difficult period of transition. For it is a condition of constitutional self-government in any country that the structure of orderly government should itself remain in being.

What then are the safeguards proposed and are they likely to be inadequate? They fall under three broad heads. In the first place there are the powers which, under practically all constitutions, are vested in the head of the State to deal with emergencies when the ordinary processes of constitutional government have broken down or are in danger of breaking down. Though extreme nationalist sentiment may dislike these powers being exercised for the present by a Viceroy or Governors who are appointed by and responsible to the British Government, there is no real dispute that the safeguarding powers themselves must be there.

In the second place there are safeguards for the fundamental political compromises, embodied in the constitution, affecting the parties to the federation, *e.g.* minorities, or imposing other special obligations, or guaranteeing individual rights. If the constitution is to come into being at all it will be necessary for some such safeguards to be created to prevent these fundamental rights and agreements from being disregarded, and the enforcement of these safeguards will be partly entrusted to a Supreme Court and partly (in order to prevent discrimination in actual practice)

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to the Crown acting through the Viceroy and the Governors.

Finally there are what may be called the safeguards necessary in the period of transition. The most important of these is that during this period, foreign policy, the control of the army, which will comprise an agreed military budget not subject to the vote of the legislature, and dynastic and political relations with the Princes in the non-federal sphere, will be reserved to the Viceroy. Everything connected with these subjects will be open to discussion, within reasonable limits, by the Assembly and certainly by the Cabinet. But the responsibility for final decision in these matters will rest with the Viceroy and the executive councillors responsible to him who are charged with the work of administration. The compelling reason for the arrangement about the army is that the vast majority of the officers of the Indian army are British, and that, however rapidly the process of Indianisation may proceed, it must take many years before the Indian army can be completely, or even mainly, officered by Indians, unless its efficiency, and that even more delicate plant, its morale, are to be destroyed. No army can maintain its discipline except under rigid central control, and pending the Indianisation of the Indian army in such a way as not to destroy efficiency and the development of a stable responsible federal executive, it is obvious that the control of the army and of the defence of the country, and therefore of its external policy, must rest with the Viceroy. A hardly less compelling reason is that there is little chance of India passing successfully from an autocratic to a responsible system of government, considering her size and the complexity of her internal problems, unless Great Britain, during the period of transition, is able to guarantee effectively both security to minorities and internal peace, in the sense that the unity and order of the country will not be destroyed by organised military violence, either from within or without, as in China. A successful

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transition to constitutional Swaraj in India depends upon there being an army, independent of internal disputes, efficient and strong enough to deal rapidly either with "tuchuns" or attempts at racial or territorial terrorism, secession or rebellion, and for the present the existence of such an army can only be assured by Great Britain, acting through and with the advice of the Viceroy and Governors, themselves in touch with Indian Ministries responsible for the day to day administration of the country.

At the same time the Round Table Conference recognised that the full status of Indian nationhood required the development as rapidly as possible of an Indian army controlled by the federal Indian Government. Accordingly an Indian Sandhurst for the training of Indian military and air officers will be created as soon as possible and the present rate of Indianisation, which is very slow, will be "substantially" increased. It also recognised the force of the Indian claim that the present cost of defence is unduly high (55 crores a year, which is 60 per cent. of the total central revenue) and ought, if possible, to be reduced so as to leave more money for nation-building. The Indian case is that there is no serious external military menace to India to-day, that there is no need for a British army of 60,000 men in addition to an Indian army of 150,000, especially as every British soldier costs nearly four times as much as an Indian soldier* and that under a responsible system in which the loyalty of the people to a national Indian Government would be assured, both the internal and external security of the country could be maintained at much less cost. An early enquiry will be made into these questions, but the final solution will probably have to wait until the responsible federal government proposed by the Conference has come into being. For the question of the size and composition of the army depends not only on the state of foreign relations with Afghanistan, Russia and

* Cmd. 3,568, vol. I, p. 94.

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China, but on frontier relations with the turbulent hill tribes,* and whether there is still communal or racial tension or civil disobedience in the country. Responsibility will lessen nationalist sedition but it may increase other difficulties. The right people to come to conclusions as to the size and character of the army needed for Indian security are the Viceroy and his responsible Ministers sitting round a table and discussing the problem together.

The other principal safeguards during the transition period relate to finance. This problem falls into three parts. The first relates to safeguards for loans (80 per cent. of which represent reproductive assets) and other financial obligations already entered into by the Government of India, and guarantees against economic discrimination on the ground of race, colour, or religion. The second relates to the period before responsibility for Indian finance and credit actually passes into Indian hands. For unless adequate safeguards are maintained, Indian credit and finance will be ruined before the federal legislature can take over the responsibility; such is the sensitiveness of the international financial and commercial structure of to-day. The third relates to those ultimate emergency powers, corresponding to his military powers, which the head of the State must possess in the event of a financial situation arising through political action which threatens the stability and peace of the country. Subject to these temporary safeguards, however, it was agreed that full control over Indian financial, tariff and commercial policy should pass to Indian hands.

The safeguards relating to finance constitute perhaps the most difficult and delicate of all the problems which have still to be worked out. There is no doubt, on the one hand, that Indian opinion is convinced that in the past Indian prosperity has been sacrificed to British interests. There is equally no doubt that British commercial opinion is afraid of unfair discrimination against its rights and trade by a nationalist administration. We cannot attempt to

* See an article on the recent frontier disturbances on p. 351

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judge whether there is substance in these opinions. What is certain is that reckless handling of currency, exchange, or loan questions, or even the fear that a change of system may involve a risk of mishandling, may bring the whole edifice of Indian credit and finance to the ground. The problem of getting the facts in perspective and of effecting the transition, including the creation of a Central Reserve Bank, without disaster is one of extraordinary difficulty. No doubt time and experience will convince Indians, as it is convincing other peoples, that economic troubles are not primarily due to the simple and sinister political causes to which they now attribute them. The real problem is how to give India freedom to learn by responsibility and experience without precipitating the ruin of the economic structure itself in the process.

Finally, there are the safeguards for the services discussed in Sub-Committee Report No. VIII. Fortunately there was a general recognition in the Conference that the success of responsible government would depend largely on maintaining, through Civil Service commissions and otherwise, the efficiency, integrity, and security of the Civil and Police Services, and safeguards for these will be provided by statutory Civil Service commissions and other provisions embodied in the constitution.

IV. CONCLUSION

WE shall not attempt to anticipate the criticisms of the proposals of the Round Table Conference which will come from India. The primary difficulty in India will probably be to secure the abandonment of the campaign for immediate independence by non-violent civil disobedience—a method which seems to promise the millennium if only its adherents are heroic and self-sacrificing enough—and the co-operation of all elements in the far more difficult, laborious and less exciting task of agreeing upon a constitution which will actually enable Indians to become respon-

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sible for their own government. Yet, that is the real test of Swaraj. Whatever the precise status of India, the primary necessity is to draw up a practical federal constitution and to obtain the assent of the main elements of Indian opinion to it. Can India, like Ireland, develop the statesmanship which will recognise this : can she agree to accept a constitution and work it successfully ? On the answer by Indians themselves to that question will depend whether India is to be a self-governing constitutional unit or not.

But there are two criticisms which are certain to be made from Great Britain which it is worth while to consider for a moment.

The first is the general query, "is it really practical politics to launch India with all her internal divisions on the sea of self-government with the ordinary parliamentary system, and that at a time when this system is beginning to prove itself inadequate elsewhere ?"

The answer is that the exact nature of the Indian constitution has still to be determined, but that it is already certain that it will not be a constitution of the ordinary parliamentary kind. It will, in the first place, be a fairly rigid federal structure. In the second place, its legislatures and executives will almost certainly be largely composed of the representatives of highly organised interests, State, communal, minority, commercial and otherwise, who will be interested in stability and good government rather than in wild projects of revolutionary reform. In the third place, the safeguards, while not designed to prevent responsible Indian opinion from being the controlling power behind Indian government, will still be an immensely stabilising force as against the perversion of government by reckless and irresponsible forces. What the ultimate form of the constitution will be no one can at present predict. The next stage depends upon India herself, the final stage upon the British Parliament.

The second criticism will be that the system of dualism

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proposed, whereby the Viceroy is responsible for foreign policy, for the army—and therefore ultimately for internal peace and tranquillity—and for dealing with the Princes, while a Ministry dependent on elected legislatures is responsible for all other ordinary government, cannot possibly work. It will be said that what is needed in India above everything else during the forthcoming period of transition is a strong central executive, and that the proposals of the Round Table Conference are bound to lead to hopeless division and weakness. But the answer is that dualism is inherent in the situation. As Mr. Jinnah observed at the Conference: "Great Britain to-day can neither govern India nor get out." It is equally true to say that India to-day can only govern herself as a united people with the co-operation of Great Britain. Granted, then, that dualism in some form there must be, is it possible to contrive any better system than that now proposed, whereby the limits of the responsibility of the two sides are defined as accurately as possible, and each is given the power necessary to enable it to discharge its own responsibility; in which differences of opinion in that debatable sphere, in which responsibility must be shared and co-operation is essential for strength and efficiency, are worked out in the privacy of the Viceroy's cabinet and not by irresponsible criticism on the floor of a hostile legislature countered by certification?

It is impossible any longer for Great Britain to refuse to India what she has successively agreed to in all the Dominions, the right to be responsible for her own government. It is equally impossible for India at the moment to govern herself by herself. The system of confronting an irresponsible legislature by an irremovable executive has broken down. What is there left but dualism (or dyarchy) in some form? And experience has shown, especially in Madras, that where the responsible Ministers command a majority in the legislature, where the principle of the joint responsibility of the Cabinet is preserved, and where there is loyal, confident and responsible co-operation

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between the Governor and his Ministers, the dual system can work very well.

In any event there is no practical alternative to proceeding along the lines roughly mapped out by the Round Table Conference. For, in a difficult and dangerous situation, the road of responsibility, with safeguards, is the only road which may lead India past the Scylla of chaos and dismemberment on the one side, and the Charybdis of military and party despotism on the other side to constitutional self-government. And it is the only road by which it is now possible to win over India to contentment as a Dominion—an equal partner within the charmed circle of the British Commonwealth of Nations.

APPENDIX

I. THE PRIME MINISTER'S DECLARATION

The view of His Majesty's Government is that responsibility for the government of India should be placed upon Legislatures, Central and Provincial, with such provisions as may be necessary to guarantee during a period of transition the observance of certain obligations, and to meet other special circumstances; and also with such guarantees as are required by minorities to protect their political liberties and rights. In such statutory safeguards as may be made for meeting the needs of the transitional period, it will be a primary concern of His Majesty's Government to see that the reserved powers are so framed and exercised as not to prejudice the advance of India through the new Constitution to full responsibility for her own government.

His Majesty's Government, while making this declaration, is aware that some of the conditions which are essential to the working of such a Constitution as is contemplated have not been finally settled, but it believes that as the result of the work done here they have been brought to a point which encourages the hope that further negotiations, after this declaration, will be successful.

His Majesty's Government has taken note of the fact that the deliberations of the Conference have proceeded on the basis, accepted by all parties, that the Central Government should be a Federation of All-India, embracing both the Indian States and British India in a bicameral Legislature. The precise form and structure of the new Federal Government must be determined after further discussion with the Princes and representatives of British India. The range of subjects to be committed to it will also require further discussion, because the Federal Government will have authority only in such matters concerning the States as will be ceded by their rulers

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in agreement made by them on entering into Federation. The connection of the States with the Federation will remain subject to the basic principle that in regard to all matters not ceded by them to the Federation their relations will be with the Crown acting through the agency of the Viceroy.

With a Legislature constituted on a federal basis His Majesty's Government will be prepared to recognise the principle of the responsibility of the Executive to the Legislature. Under existing conditions the subjects of defence and external affairs will be reserved to the Governor-General, and arrangements will be made to place in his hands the powers necessary for the administration of those subjects. Moreover, as the Governor-General must, as a last resort, be able in an emergency to maintain the tranquillity of the State, and must similarly be responsible for the observance of the constitutional rights of minorities, he must be granted the necessary powers for those purposes.

As regards finance, the transfer of financial responsibility must necessarily be subject to such conditions as will ensure the fulfilment of the obligations incurred under the authority of the Secretary of State and the maintenance unimpaired of the financial stability and credit of India. The report of the Federal Structure Sub-Committee indicates some ways of dealing with this subject, including a reserve bank, the service of loans, and exchange policy, which in the view of His Majesty's Government will have to be provided for somehow in the new Constitution. It is of vital interest to all parties in India to accept these provisions to maintain financial confidence. Subject to these provisions the Indian Government would have full financial responsibility for the methods of raising revenue and for the control of expenditure on non-reserved services.

This will mean that under existing conditions the Central Legislature and Executive will have some features of dualism which will have to be fitted into the constitutional structure. The provision of reserved powers is necessary in the circumstances, and some such reservation has, indeed, been incidental to the development of most free Constitutions. But every care must be taken to prevent conditions arising which will necessitate their use. It is, for instance, undesirable that Ministers should trust to the special powers of the Governor-General as a means of avoiding responsibilities which are properly their own, thus defeating the development of responsible government by bringing into use powers meant to lie in reserve and in the background. Let there be no mistake about that.

The Governors' Provinces will be constituted on a basis of full responsibility. Their Ministries will be taken from the Legislature and will be jointly responsible to it. The range of provincial subjects will be so defined as to give them the greatest possible measure of self-government. The authority of the Federal Government will be limited to provisions required to secure its administration of Federal subjects and so discharge its responsibility for subjects defined in the Constitution as of All-India concern. There will be reserved to the Governor only that minimum of special powers which is required in order to secure, in exceptional circumstances, the preservation of tranquillity and to guarantee the maintenance of rights provided by statute for the public services and minorities.

Finally, His Majesty's Government considers that the institution in the Provinces of responsible government requires both that the Legislatures

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should be enlarged and that they should be based on a more liberal franchise. In framing the Constitution His Majesty's Government considers that it will be its duty to insert provisions guaranteeing to the various minorities, in addition to political representation, that the differences of religion, race, sect or caste shall not in themselves constitute civic disabilities.

In the opinion of His Majesty's Government it is the duty of the communities to come to an agreement among themselves on the points raised by the Minorities Sub-Committee but not settled there. During the continuing negotiations such an agreement ought to be reached, and the Government will continue to render what good offices it can to help to secure that end, as it is anxious not only that no delay should take place in putting the new Constitution into operation, but that it should start with the goodwill and confidence of all the communities concerned.

The various sub-committees which have been studying the more important principles of a Constitution which would meet Indian conditions have surveyed a considerable part of the structure in detail, and the still unsettled points have been advanced a good way to an agreement. His Majesty's Government, however, in view of the character of the Conference and of the limited time at its disposal in London, has deemed it advisable to suspend its work at this point, so that Indian opinion may be consulted upon the work done and expedients considered for overcoming the difficulties which have been raised.

His Majesty's Government will consider without delay a plan by which our co-operation may be continued so that the results of our completed work may be seen in a new Indian Constitution. If, in the meantime, there is a response to the Viceroy's appeal to those engaged at present in civil disobedience, and others wish to co-operate on the general lines of this declaration, steps will be taken to enlist their services.

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in practice, be unworkable. It would either involve two executives acting more or less in the same sphere of government—*e.g.* peace and tranquillity—or alternatively a single executive responsible to two bodies representing different areas and constituents. Nor, in practice, did the sphere of central subjects, common to British India but not to all-India, prove to be as large as at one time seemed probable. It was recognised that if India was to keep her unity on a constitutional basis it was essential to make room for a considerable measure of provincial diversity. While uniformity for all India was essential in certain things, individuality in the provinces in others was not only desirable for communal reasons, but was inevitable in a rapidly developing country in which power was steadily passing to electorates differing largely in race, language, temperament and tradition. Closer analysis proved that the only important subjects common to British India which the Princes were not willing to relinquish to the control of the federal legislature were civil and criminal law. Even here it was obvious that the tendency must be for Indian India more and more to adopt the standards of the civil and criminal law of British India, and that this anomaly, like others, would tend to remedy itself as the federal spirit and practice developed both in the States and the provinces.

Accordingly the final decision was in favour of a federal constitution of the ordinary type, in which the Senate or Upper House would represent the federating units—States and provinces—as such, and the Legislative Assembly or Lower House would represent the nation as a whole, subject to some system being devised, probably of an “in and out” kind, whereby the representatives of the Indian States would not vote on legislation affecting British India alone. The difficulty of drawing any exact line between British Indian and all-Indian subjects when they are before a single legislature is obviously considerable, for the one shades imperceptibly into the other. But the greatest

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difficulty of all—the difficulty which destroyed Gladstone's Home Rule Bill of 1893—can be overcome by providing that a vote of no-confidence shall only involve the fall of the executive if it is passed by a specified majority with the representatives of all-India present.

As regards the federal franchise no decision was reached. It was generally agreed that the Senate should be small in number—between 100 and 150—and should be elected by the provincial legislatures and the Princes respectively, though whether each province should have an equal representation or a number more in proportion to its population was not settled.* But the constitution of the Legislative Assembly proved more difficult. The population of all-India (excluding Burma) is a little over 300,000,000. Any system of direct election on an adult franchise basis—especially with separate communal electorates—would involve not only constituencies of the enormous areas already existing to-day,† but an impossible number of voters per member. The number recommended for the Lower House was between 250 and 300. Taking the latter figure and assuming that half the population is under age, the average electorate per member would be 1,000,000 (or if the House were to consist of 600 members, an unwieldy number, it would be 500,000). Assuming, therefore, as the Provincial Franchise Committee assumed, that the ultimate goal is manhood suffrage, it seems clear that direct election will be an impossible system as the electorate increases, even though it may be possible to preserve it for a time if the existing very restricted franchise for the central

* See table on p. 273 for population of the provinces.

† “The rural constituencies returning a single member to the Assembly are nowhere less than 6,000 square miles in area. . . . The rest range between the latter figure (7,000) and 62,000 square miles with populations reaching in individual cases to as much as 6,000,000. The three Mahomedan rural constituencies in the Madras Presidency, each returning a single member, cover 10,000, 48,000 and 83,000 square miles—i.e., they are about half as large again as Wales, Scotland and England respectively.” (Cmd. 3,568, vol. I, p. 221.)

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legislature* is not markedly altered. As an alternative, various systems of indirect election were proposed—*i.e.*, by village panchayats, by electoral colleges, by primary electors electing secondary electors, and so forth. But no conclusion was reached. The decision was postponed until British and Indian opinion could declare itself on the subject.

Finally there was the difficult question of the relative representation of British India and Indian India in the legislature. The Princes, as they were required to surrender their present-day sovereignty, were inclined to ask for a position of equality in the new federation, or at least in the senate. But it was obvious that British India could not agree to units which contain only a third of the area and a quarter of the population of the whole of India (including Burma) being given so much "weightage" in the federation even if their representatives withdrew when purely British Indian matters were being voted upon. Here also no conclusion was reached; but a compromise on the basis that the Princes will have, say, 40 per cent. of the representation in the Senate and representation in proportion to the population of their States, or a little over (say, 30 per cent.) in the Legislative Assembly, would appear not to be unlikely.

(b) *The Provinces and the Federation*

It is not generally realised, either in India or in Great Britain, both of which have lived under a highly centralised and unitary form of government, how profoundly the adoption of the federal principle will affect India and how important it is as a contribution to internal stability and peace. The essence of the old system of government in India, as of all unitary systems, was that it was the central authority which was ultimately responsible for law and

* The existing electorate (including Burma) is 1,128,331 for the Legislative Assembly, and 32,126 (of which Burma provided 15,555) for the Council of State. The population of British India is 240,000,000. (Cmd. 3,568, vol. I, p. 222.)

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order, and for governmental action everywhere, because its will, whether in legislation or administration, could in the last resort be made to prevail as against that of local or provincial governments. The essence of the federal system is that the powers of government are divided so that provincial and federal governments are responsible only in their own spheres, and that neither has the right or the power to act or intervene in the sphere allotted to the other. Experience elsewhere shows that the federal system is a stable system of government precisely because it distributes the responsibility for government and does not overload the central authority.

The adoption of the federal principle in India—inevitable, because it is the only condition upon which the Indian States will join with British India, and because, as we shall see, it is a necessary element in the settlement of the communal problem—will have several very far-reaching effects. It will mean that the federal government will begin for the first time to exercise authority directly over the inhabitants of the whole of India, including the Indian States. It will mean that the provinces will be free from federal supervision within their own spheres. And it will mean that the federal government will have no primary responsibility for law and order in the provinces—for that will be a provincial concern—but only for disorder affecting more than one province or for the peace and tranquillity of the realm as a whole. During the transitional period the ultimate responsibility both for safeguarding law and order in the provinces and for maintaining the peace and tranquillity of the realm as a whole, if an emergency arises, will rest upon the Viceroy and the Governors, because they will be responsible for the use of the army. But in any case it seems probable that the federal government will have to develop some federal police agencies of its own in order to ensure that federal legislation is obeyed or to deal with matters involving the tranquillity of the realm which affect more than one province ; for no central government can

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rely upon a provincial government responsible not to itself but to another electorate to give effect to its legislation or policy.

The successful working of a federal system, however, depends largely upon whether the line between federal and provincial powers is judiciously drawn. The division provisionally drawn by the Round Table Conference roughly corresponds with the one at present prescribed in the devolution rules of the Government of India (and, indeed, with the usual division under federal institutions). There is nothing unusual about it except that in many cases the actual exercise of federal functions is entrusted to State governments on condition that they administer them in accordance with legislation and policy determined by the federal authority. This, however, will probably prove to be a transitional anomaly.

Another condition of success is that the legislatures themselves should be wisely constituted. Some comment has already been made upon the proposals for the federal senate and assembly. But the Conference gave far less thought to the question of how the provincial legislatures and executives should be formed. The Franchise Committee committed itself to the view that adult suffrage was the goal to be aimed at. It further recommended that the electorate for the new provincial legislatures should be enlarged to between 10 per cent. and 25 per cent. of the adult population—though the percentage of literacy is still only 13·9 for males and 2·1 for females throughout India as a whole. It further went on to recommend unicameral legislatures (with executives dismissable by majority vote) in all provinces except Bengal, the United Provinces and Bihar and Orissa, where it recognised that a double chamber system might be preferred.

It requires no great knowledge of recent history to realise that a provincial structure of this kind may well produce deplorably weak and unstable governments considering that some of the provinces contain as many

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as 50,000,000 inhabitants. Experience all over the world in the last few decades seems to prove that the weakness of the ordinary parliamentary system lies in its frequent failure to maintain sufficient strength and stability in the executive when the legislature itself is divided into groups, and that the number of groups tends to increase with more democratic methods of election. A legislature divided into groups tends to become pre-occupied with the business of making and unmaking governments instead of with the normal function of legislation—with the ultimate result that parliamentary rule is replaced by dictatorship as the only method of obtaining stable and continuous government. This has happened in Italy, Spain, Yugoslavia, Poland, Hungary and Greece since the war and is not far from happening in Germany to-day. Because of the minority question the provincial legislatures in India, like the central legislature, are, in most cases, certain to be broken up into groups. It is of the utmost importance, therefore, that the provincial constitutions should be such as to give as much inherent stability into the government and its legislation as possible—far more than seems possible when it can be dismissed at any time by a transient majority representing groups in a single chamber elected by a largely illiterate electorate. Various methods have been suggested. One is that all the provinces should have a second chamber elected on a higher franchise and with an age qualification, a system which has been adopted in several European constitutions, and that a vote of no confidence should in no case be effective unless it has passed both houses, if necessary sitting together. Another is that no vote of lack of confidence should be valid unless the majority against the government is, say, 66 per cent. of the house. It is not easy, however, to devise any method which will be effective without opening the way to political evils of other kinds. But the problem of creating reasonable stability in the case of the executive is one which confronts almost all countries which have adopted parliamentary

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constitutions with a wide franchise and the group system. Perhaps the constitution builders of India will find the solution without going as far as the American and Swiss constitutions which make the executive wholly irremovable by the legislature for a statutory period.

(c) *The Minority Problems*

The minority problem, of which so much was heard in the press during the London Conference, is much more than a question of the precise number of seats which Hindus and Moslems should have in the legislatures. It goes to the root of the problem of Swaraj, once the principle that Indians should be responsible for their own government has been conceded. There are minorities of many kinds in India. According to the census of 1921 there is a Moslem minority of 68,700,000 as against a Hindu majority of 216,700,000 in all India. But in four provinces, the Punjab, Bengal, and the two proposed new provinces of Sind and the North West Frontier Province, the Hindus are in a minority and the Moslems are in a majority. The reason, indeed, for creating these new provinces is largely in order to give the Moslems predominance in four provinces as against the Hindu predominance in the other six and in India as a whole. Again, in the Punjab the Sikhs, who ruled it before 1849, only number 2,294,000 as against 11,444,000 Moslems and 6,579,000 Hindus. Yet the Sikhs belong to a reformed type of Hinduism. Are they, for communal purposes, to be treated as Hindus or as a separate community of their own?

Then there are the depressed classes—perhaps the most serious stain on Hinduism—some 60,000,000 people, excluded by religious sanction from almost all social intercourse with their fellow men, outcasts upon the earth. They, too, ask for Swaraj for India, provided that they can obtain separate communal representation in the legislatures, because they believe that they will be able to do

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more for their own uplift through the franchise than Great Britain has, in fact, been able to do for them in a century of the British raj.

There are also the Indian Christians, a scattered community of 4,494,000 ; the Europeans who number 176,000 are mainly centred in the big cities, and represent great businesses and an immense energy and capital invested in India ; the Anglo-Indians, half Indian half British, the mainstay of the railway and other government services, who number 113,000 ; the Parsees, so strong in Bombay, who number 102,000, etc., etc. All are afraid of what confident and arrogant majorities may do in a country in which caste and religious loyalties are stronger than patriotism or social solidarity, and which has had no experience of the tolerance and respect for individuality and justice which are essential for the successful working of democracy. Practically all the minorities support the demand for Swaraj, but only on condition that they are guaranteed separate representation in the provincial legislatures so that they can at least make certain that their claims and interests are heard and not forgotten.

Yet to accept these minority claims is, in large degree, to deny both nationalism and democratic theory. The essence of nationalism is that citizenship takes precedence of every other kind of loyalty so far as politics are concerned. The essence of democratic theory is that parties are formed and elections are fought on political programmes and policies. The grouping of voters according to race or religion or special interests, so that an election must result in returning the members elected as Hindus, Moslems, Sikhs, Depressed Classes, Europeans, etc., renders nugatory the operation of ordinary political democratic life, especially if the communal principle is applied to the executive and the services, so that each minority can claim separate representation in the Cabinet, the Civil Service, the Army, on the Bench, and so forth, on the ground not of competence but of race, religion, or caste.

The Real Alternatives

by the Simon Commission ? The work of the Simon Commission proved invaluable to the Conference—a mine of accurate fact and wise advice. But its proposals for the centre were out of date from the start. Not only had they been rejected by all the more responsible and co-operating elements of Indian opinion, but the Princes have made the transfer of responsibility at the centre the condition of their entering the federation. Moreover, it is very doubtful if the Simon proposals would have worked in practice. The irrevocable step was taken when the function of legislation was entrusted to legislatures in which a majority was elected by Indian constituencies. For the last ten years, government has been carried on by precarious and not always very healthy lobby manœuvres by irresponsible executives assisted by official blocs, certification, etc. The Simon Commission proposed that, while full responsible government should be given to the provinces, the numbers of the central Assembly should be increased from 145 (105 elected) to from 250 to 280 (with only 12 nominated officials), though the members should be elected by the provincial legislatures and not directly by constituencies. While the type of member returned by the provincial legislatures under such a system might be more experienced, it is certain that, in the temper of modern India, the immense majority of the central Assembly, returned as they would have been by bodies themselves fully responsible for provincial government, would have gone into permanent obstruction against an irremovable executive responsible to the Secretary of State and Parliament alone. The central Government would, in practice, have only been able to function by the habitual use of powers of certification—a system which would have provided neither a strong central government nor political peace in India.

The more liberal form of “dualism” suggested by the Government of India might have been somewhat more workable. But, as the Round Table Conference realised,

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once the Princes* had declared that they were only prepared to join an Indian federation if that federation were given responsibility at the centre, the only working alternative to resisting federation and government by certification in defiance of a hostile legislature or by suspending the Legislative Assembly altogether, was to entrust government (except in the reserved sphere) to an executive which itself commanded a majority of the federal legislature. There is, in fact, as all British experience has shown, no half-way house between an irresponsible executive and an executive which can govern because it can command the confidence of a majority of the legislature to which it is responsible.

Immense, therefore, as are the risks and difficulties which lie ahead, the risk that whole sections of the Indian people may be stampeded by suspicion and propaganda into a merely negative non-co-operation, the difficulty of creating in a vast sub-continent like India the conventions and habits of mind which will make it possible for a stable government to be derived from a still largely illiterate population, the difficulty of creating a political party system in a country in which minorities claim separate and special representation, there is, in practice, no alternative to following the trail clearly and courageously blazed by the Round Table Conference. It is that road or chaos.

* Thus the Maharajah of Bikaner said : "The Princes have made it clear that they cannot federate with the present Government of India, and we are not going to make any sacrifices and delegate any of our sovereign powers unless and until we can share them honourably and fully with British India in the federal executive and legislature." The Maharajah of Bhopal—the other principal Princes' delegate—similarly said : "We have made it clear that we can only federate with a self-governing and federated British India and that if British India is not self-governed, any federation with the present Government of India will, it is evident, be to our own disadvantage."

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III. THE ROUND TABLE CONFERENCE PROPOSALS

EXCEPT for the two fundamentals that the new constitution for India should be a federation comprising all India and that, subject to certain safeguards, responsibility both in the provincial and federal spheres should rest on Indian shoulders if a workable constitution can be contrived, the conclusions of the Round Table Conference are largely provisional. The task which confronted it was unique. No earlier body of constitution builders has ever had so immense and complicated a problem to solve. In the very nature of things a constitution which is to include within its orbit over 300,000,000 people speaking different languages and of very different racial and religious character, which has to find room for the democratically governed provinces of British India and for the autocratically governed States of Indian India, which has to give special representation to minorities, large and small, and other guarantees that the majority will not abuse its power, must contain anomalies and compromises of every kind. Nor will a constitution of such a kind work unless public opinion is satisfied that the anomalies are necessary and that no preferable alternative is possible.

The Round Table Conference, therefore, wisely confined itself to tabling its proposals in outline in the faith that further discussion in India and Great Britain might produce something better, or that, failing improved proposals, Indian opinion would rally to work the scheme—anomalous as it necessarily is in parts—as the only real alternative to the break up of India herself or her gradual movement towards a Chinese chaos or a Russian despotism.

We can now consider in a little more detail the outline of that federal constitution which the Round Table Conference proposed as the alternative to the old British raj.

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(a) *Federal India*

The foundation of the whole structure proposed by the Round Table Conference was that the division which has existed hitherto between what may be called British India, *i.e.* that two-thirds of India which contains three-quarters of the population governed under the Government of India Act (1920), and Indian India, *i.e.* the balance which is under the direct rule of 562 Indian Princes and Chiefs* over whom the Crown exercises a general paramountcy loosely defined in most cases in treaties and sanads, should be ended, and that in future there should be a single Indian federal State. It has been alleged that the main reason for this decision was the desire of Great Britain that the central legislature and executive should be stabilised by the presence of the conservative element represented by the Princes before she transferred any measure of responsibility at the centre. It is perfectly true that the representatives of the Indian States can be relied upon to resist both revolution and secession from the Empire, and as such they will be an element making for constitutional stability. But the decisive reason for basing the constitution on the federation of all India was the conviction driven home to the Princes, British Indians and British representatives alike, that to launch British India on responsible government without bringing Indian India within the constitution would be to set in motion forces which, in time, would inevitably rend India into fragments. The adjustment of the relations between autocratic Indian India and democratic British India will not be easy, and no one can yet say whether the traditional system of Indian India or the modern Western methods of British India will prove the stronger and more appropriate to Indian conditions, or whether there may not evolve some compromise between the two. But it is certain that the right way is to adjust the ever present difficulties over

* Cmd. 3,568, vol. I, p. 83.

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tariffs, railways, transportation, and economic and political and social development by constitutional methods within a single federation, and not by angry negotiation between an advancing British India and some 560 separate Indian States only constitutionally linked to British India by the nexus of the Crown.

The units, therefore, of the new federation are to be the provinces of British India (excluding Burma) on the one side, and the individual sovereign Indian States on the other side. The number of the federating British Indian provinces, however, will probably be raised from the existing eight (Bengal, Madras, Bombay, United Provinces, Punjab, Bihar and Orissa, Central Provinces and Assam) to ten by the creation of two new autonomous provinces, the North West Frontier Province* and Sind, and possibly later to an even larger number through the establishment of new provinces carved out of older provinces on a linguistic basis (*e.g.* Oriya speaking). As regards the States, it was recognised that while the larger Indian States such as Hyderabad (12,500,000 inhabitants), Mysore (6,000,000 inhabitants), Baroda, etc., would be represented in the federal legislature in their own right, the smaller States would have to be grouped for the purpose, though every State would have to adhere to the federation by a separate sovereign act of its own. There are to-day 108 States which are represented in their own right in the Chamber of Princes, 127 which are represented by 12 delegates chosen among themselves, and 327 smaller units which have no representation at all.† The exact distribution of seats among these States will depend partly on the number of seats available for Indian India in the Senate and House of Assembly, and partly on the relative size and importance of the States themselves. On this question no proposals were made.

Broadly speaking, the new federation can only be brought

*The North West Frontier Province is at present not a province proper, but a territory governed directly by the Government of India. See p. 351.

† Cmd. 3,568, vol. I, p. 83.

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into being by an Act of the Imperial Parliament after the surrender to it by the Indian States of those powers which are in future to be exercised by the new federal government.

The question of the division of powers between federal and local governments—always a difficult question—is doubly difficult in India. British India has always had a highly centralised system of government. In fact all power has been derived from the Viceroy acting for the British Crown, and it was only at the time of the Montagu-Chelmsford Reforms of 1920 that the process of provincial devolution was seriously begun. Indian India, on the other hand, has been almost entirely de-centralised. Each State, except that its external relations have been controlled by the Crown, and that the Government of India has maintained a political resident to prevent gross misrule on the part of the autocrat, has been entirely independent both of British India and of every other State. The Indian States are naturally only willing to surrender to the federation as much of their sovereign powers as is necessary to bring an effective federation into being. British Indians, on the other hand, are clearly not willing to break up the unity which now exists in British India over large fields of legislation and administration by conferring on the provinces anything like the measure of sovereign independence which the Indian States will insist upon, at any rate, in the early years of the federation.

At one time it seemed that it might be necessary to create what may be described as a three-decked federation—*i.e.* a structure containing provinces and States as the lowest tier, a central legislature for British India dealing with matters which are the common concern of the provinces, but not of the whole of India, as an intermediate tier, and a federal body for all India dealing with those subjects which are the common concern of all-India—*i.e.* of British India and Indian States alike, as the top tier. Examination, however, proved that such a system would,

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"It may be that, having become instructed in European knowledge, they may in some future age demand European institutions. Whether such a day will come I know not. Whenever it comes it will be the proudest day in English history."—MACAULAY, in the House of Commons, 1833.

I. A FRESH START

THE Indian Round Table Conference has opened a new epoch in the history both of India herself and of the relations between India and Great Britain. It is difficult, indeed, for us to realise how fundamentally the whole position has been changed by the work of the ten weeks which elapsed between the formal opening of the Conference on November 12 and its formal closing on January 19. For the first time a delegation of some eighty Indians, representing all races and religions and classes in India (though not the Congress party) sat round a table with a delegation representing all parties and both Houses of the British Parliament to discuss, on a basis of complete equality and with nothing excluded from the purview of the Conference, what the future of Indian government should be. For the first time Indian Princes and their Diwans sat round a table with the representatives of all classes in British India, also on terms of complete equality, and agreed together that the basis of the new constitution should be the inclusion of all-India within a single federal constitution under which responsibility both for central and local government should rest, subject to certain limitations, in Indian hands. For the first time the representatives of Great Britain declared

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that the time has come for the primary responsibility for Indian government to pass from British to Indian shoulders, provided that a constitution can be drawn up and accepted which would do justice to the minorities in India and which could reasonably be expected to give stable government to a united India, and, subject to certain safeguards and reserved powers for which Great Britain will remain responsible, in the interests no less of India than of Great Britain, during the period of transition.

Whatever the future may bring forth, it will be impossible to undo the fundamental work thus done by the Round Table Conference. It has started India and Great Britain on a new road from which there can be no turning back.

Hitherto most of the energies of Indian politicians have been devoted to getting rid of British control, an anomaly in the modern nationalist and democratic world, which they felt both humiliating in itself and incompatible with their own political, social and economic advancement. From now onwards the problem before them is the practical one, first of framing and then of working a constitution which will enable the races and religions, the Princes and peoples of India to govern themselves on just and constitutional lines. For the unanimous declaration of the British delegation, Conservative no less than Liberal and Labour, inside Parliament and outside, is that, provided a workable constitution can be framed, responsibility for Indian government shall pass to Indian control in the centre as well as in the provinces, subject only to safeguards in the interest of justice to minorities and of stable government itself.

How definite these statements of principle are may be seen from the following quotations. In the Report of the Federal Relations Committee it is stated that its proposals have been drawn up

on the basic assumption that the constitution will recognise the principle that, subject to certain special provisions more particularly specified hereafter, the responsibility for the Federal Government of India will in future rest upon Indians themselves.

A Fresh Start

In the same report it is further stated that "the proper method of giving effect to this principle" is for the Governor-General

to appoint as his Ministers those persons who command the confidence of the Legislature, and the Governor-General, in complying with this direction, will, of course, follow the convention firmly established in constitutional practice throughout the British Commonwealth of inviting one Minister to form a Government and requesting him to submit a list of his proposed colleagues.

Similarly, the Prime Minister, in his formal declaration of policy* stated that

The view of His Majesty's Government is that responsibility for the government of India should be placed upon Legislatures, Central and Provincial, with such provisions as may be necessary to guarantee, during a period of transition, the observance of certain obligations and to meet other special circumstances, and also with such guarantees as are required by minorities to protect their political liberties and rights. In such statutory safeguards as may be made for meeting the needs of the transitional period, it will be a primary concern of His Majesty's Government to see that the reserved powers are so framed and exercised as not to prejudice the advance of India through the new constitution to full responsibility for her own government.

The centre of gravity of the discussion has thus been transferred by the Round Table Conference from London back to India. It is agreed in principle that the period of British responsibility for Indian government ought to end. Subject to certain safeguards, inevitable in so gigantic an experiment, responsibility is to pass to Indian hands. The vital question to-day is whether Indians can agree upon the constitution under which their government shall in future be conducted. For there can be no doubt that, if they succeed in reaching agreement on a constitution which is at once workable and just to minorities, the British Parliament will enact it, as it did in the case of the constitutions drawn up by the other Dominions.

* See the Appendix for the full text.

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II. THE REAL ALTERNATIVES

THERE is little doubt that the completeness with which the Round Table Conference and afterwards the mass of British public opinion accepted the principle that Indians should in future, subject to safeguards, be responsible for their own government both in the centre and the provinces came with a shock of surprise and dismay to those who have been familiar with the India of the past, in which the whole effective responsibility for Indian government has rested in British hands. It seemed so reckless and gigantic a move forward in a continent containing as many people as Europe without Russia, and divided within itself as Europe is divided. It seemed all the more dangerous in face of the recommendation of the Simon Commission that strong government should be maintained at the centre while full responsibility was being introduced in the provinces, and even of the more "advanced" proposal of the Government of India that in the next period there should be a kind of irresponsible executive "dualism" at the centre.

But there is no doubt that, except in certain relatively narrow circles, the discussions of the Conference convinced, not only the British members, but public opinion outside, that the time had come when, in India, as in Canada, South Africa, Ireland and elsewhere, a definite and irrevocable breach must be made with the old type of empire, that India must follow in the footsteps of the other Dominions and be free to work out her future by constitutional means in her own way. People came to this conclusion, not only because it was right in itself and the only course consistent with the new British Commonwealth, but because it was the only way of avoiding, both for India and Great Britain, the disasters of the American revolutionary era. Some have believed that the transition to responsibility could come gradually, piecemeal and almost imperceptibly. There is no evidence in

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history to justify this belief. The transfer of governmental power from one set of hands to another is a tremendous event, and it takes place, not imperceptibly, but either by war and violent revolution or by definite constitutional action. The most important decision of the Round Table Conference was that the time for a constitutional revolution had arrived. Why was this so ?

At the time when the old British raj was built up, government in India was exclusively the concern of hereditary or military autocrats. Whether government was in the hands of the declining Moghul Emperor, or of ancient dynasties, or new rulers escaping from his authority, or of powers, such as the Mahrattas or the Sikhs, which raised themselves from among the ruins of the Empire, its basis was always the same, military power reinforced by hereditary or religious sanction. Nowhere had it any popular or democratic character. The will of the autocrat was absolute, and public opinion in the modern sense had almost no instrument of expression nor any effective sway.

Amid all these rulers, first the East India Company, and then the British Government, possessed of the scientific knowledge and methods of the West, were incomparably the most powerful. It was almost inevitable that, once the Company undertook the diwanship of Bengal in 1773, it should gradually assert its paramount power over all the rulers of the land as the only method of securing peace and order in India, or stable conditions for trade. And, having taken over government directly, or asserted suzerainty over the Princes, the British power proceeded gradually to create a bureaucratic government which has, in fact, become one of the wonders of the world—a government which history will class with that of Rome herself—efficient, impartial, just, inspired by standards of loyalty and responsibility unknown in a democratic age.

So long as the old structure of Indian thought and society continued, India, save for a few patriots, was content. Government was not the concern of the people

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but of the Princes and the gods. Great Britain had proved herself the strongest among the rulers who were for ever competing among themselves for power and prestige, and therefore ruled as of right divine. To the mass of the people it mattered little who was ruler ; the life of the countryside, the eternal rotation of ploughing and reaping, birth, maturity and death, the ritual of caste and religion, went on unchanging and unchanged. Good rulers kept taxes low and avoided war ; bad rulers brought poverty in their train. In so far as the British raj brought the end of war and kept taxes low, it was acquiesced in as the agent, on the whole, of a beneficent providence.

But, for some decades now, that point of view has been changing. India has been following, at first slowly, but lately with startling speed, in the footsteps of the rest of the world. Macaulay opened the sluiceways of Western education in 1835. To-day there are 84,000 students in the fifteen chief universities of India, and 2,500 high schools with 770,000 students on their books,* apart altogether from those who go to Great Britain, or America, or Europe for learning. Indian industry is growing with enormous rapidity. Railways and motors have brought Indian agriculture and Indian commerce within the influence of world prices. The restless determination of the modern world that law and government should reflect national opinion, and that economic life should somehow be brought under conscious control, and that poverty, inequality and the blighting effects of climate, weather, and geography, should be removed, mitigated or destroyed, is actively at work in India also. There is hardly a village which is not now reached by the vernacular press preaching a discontent, not always divine, or which has not had a returned soldier telling about the outside world, of Asiatic nations which have emancipated themselves from white domination, of the weaknesses and difficulties of Great Britain herself.

The old India has gone, or is rapidly going, and with

* *The Times*, February 7, 1931.

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it the old British raj is inevitably going also. Indian life and society are seething with the same forces, the same hopes and aspirations, the same discontents as Europe and Asia and America since the war. The old form of government through a bureaucracy, efficient but detached from the new life stirring among the people, is as inadequate for modern India as it has proved to be for Great Britain, Europe and America. The Civil Service—already in course of rapid Indianisation—can be preserved, but the ultimate decision in determining the policy to which it is to give effect must now rest with a body amenable, in constitutional ways, to Indian opinion. Not only is such a step right in itself and the logical result of the Pronouncement of 1917, and of British institutions themselves, it is the only way of avoiding in India government by repression, which, when it is continued by an alien Power against the consent of the governed, never has lasted and never can last in the modern world.

The alternatives which lie before India to-day are chaos or constitutionalism. Despite Mr. Winston Churchill and his friends, the third policy, of trying to maintain the old British raj through the resolute determination of a British Government to govern India, whatever the cost, is an alternative no longer. The consent of all classes in India—Princes no less than British Indians—to such a solution has clearly been withdrawn, and British public opinion, in the light of the history of the rest of the Empire since the beginning of the century, and of the ideals for which it fought during the war, would simply refuse to be a party to the continued repression and bloodshed by which the old British raj could alone now be maintained. The Round Table Conference was certainly right in thinking that the one hope for the future was to place the responsibility for Indian government, subject to safeguards and reserves in the transition period, as far as was practicable, on Indian shoulders under a sane and well-balanced constitution.

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It is perfectly true that, without faith and co-operation on both sides, the attempt to create a self-governing constitutional India may fail. The task is the most gigantic to which two peoples have ever consciously set their hands. There are forces of violence, of communalism or parochialism, of race, of suspicion and ignorance and distrust, both in India and in England, which will certainly work, not to build, but to disintegrate and destroy. The overthrow of the democratic regime in Russia by the Bolsheviks and the destruction of parliamentarianism in China by militarists and party discord, may still be repeated in India. It is said that the responsible politicians will be swept aside by the extremists and that minorities like the Moslems and the Sikhs, States like Afghanistan or Nepal, communist and terrorising groups, will sweep the inefficient executives and legislatures aside. It is certainly possible that the attempt to create a workmanlike federal constitution may break down and that India may break up, first into a Moslem and a Hindu India, and later into a number of national States, as Europe did after the Renaissance and the Reformation. None the less, to proceed along the line of constitutional self-government is the only possible or hopeful way forward to-day. Moreover, the forces which are making for success are far more powerful than is always realised. For a century India has been accustomed to constitutional and legal procedure: the habit of order is strong, as are the Civil Service and the Police; the doctrine of non-violence makes a widespread appeal; and behind all, during the period of transition, stand the army and authority of Great Britain, which, even if she is now ready to transfer responsibility for government to Indian hands, is certainly not yet ready to see the hopes of peaceful constitutional self-government destroyed by an organised military violence which she is still perfectly able to control.

What, it may be asked, about the alternative proposed

THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS OF
THE BRITISH COMMONWEALTH

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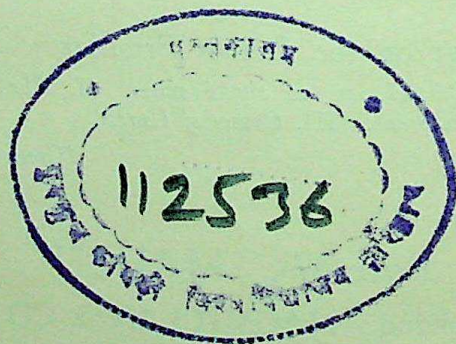
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NOTE

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